SCIENTIFIC INVESTMENT FOR EVERYBODY

THE MAGAZINE OF WALL STREET

The New Banking Bill

Its Probable Effect on Investment and Speculation

By H. Parker Willis, Expert to Banking and Currency Committee, House of Representatives

Gold Production and Security Prices

An Explanation of the Relations Between These Two Factors

Small Stocks for the Small Investor

Money-Making Opportunities Which Require Little Capital

Interpreting Financial Conditions

Effect of Commodity Prices on Business Failures

Bethlehem Steel

A Review of the Progress of This Wonderful Corporation

Analysis of Recent Market Conditions

The Facts About Speculative Bonds

All the Regular Departments—Current Financial Opinion; Iron and Steel; Bond Department; Bargain Indicator on Stocks; Investment Digest; Traders' Department; The Forum; Essential Statistics; Situation Summarized; Market Outlook, Etc.

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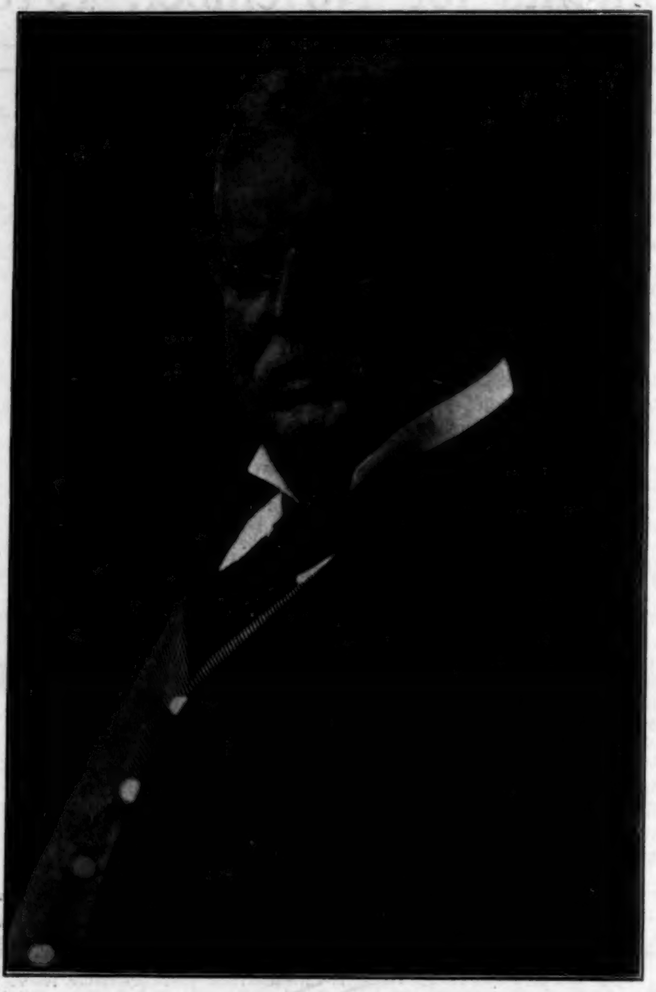


THEODORE N. VAIL.

The suggestion that the Government may decide to take over and operate the long distance telephone lines brings the able President of the American Telephone & Telegraph Co. once more into the lime-light. The wonderful success of his company is in large measure due to his far-sighted leadership.

THE MAGAZINE OF WALL STREET
(FORMERLY THE TICKER AND INVESTMENT DIGEST)

SCIENTIFIC INVESTMENT FOR EVERYBODY.

Vol. Thirteen NOVEMBER, 1913 No. One

Current Financial Opinion

The Up-to-Date Thoughts of Wide-Awake Thinkers

IT is often said that the investor who wishes to predict the prices of stocks and bonds should begin by estimating the future of the money market. If he did this he would have one advantage, at any rate, for the opinions of leading authorities are much more likely to be in substantial agreement as to future money rates than in regard to future prices of securities.

Last July, for example, Mr. Mitchell, president of the Illinois Trust & Savings Bank, said that the worst was over in high money rates and that while the rest of the year would witness firm money, there would be no stringency. A number of other leading bankers concurred in this opinion, and it has proved correct down to date.

At the present time, also, there seems to be a pretty general agreement among bankers about the prospects for money, to the general effect that firm rates will continue throughout 1913, with a probability of easier conditions next year. Two of the biggest banks in the country present their views as follows:

The Fourth National Bank, New York: The relatively comfortable position of the money market is in sharp contrast with conditions which were looked for earlier in the year during the period of real stringency when troublesome complications were expected to develop about this time. The situation has been admirably handled, so that at the moment there is no reason to look for acute stringency during the balance of the year. The prospects are, however, for a broad demand for money, with rates not far from those now prevailing for time loans and commercial paper.

The National City Bank of Chicago: There has not been any unusual disturbance in the money market over the adjustment of the October 1 settlement, and it looks now as if there would be reasonably clear sailing, for the balance of the year. This does not mean that money rates will not rule firm, or that occasional periods of high money will not be encountered. But because of the excellent work that was done earlier in the year in impressing upon all borrowers the need of conservatism and of restricting new capital applications to take in only actual requirements, the general banking position is very much better than people in touch with the situation of three months ago thought it would be at this time.

While business interests have in a measure prepared for tariff changes, it will take six months at least to test the influence of the lowered duties in respect to their bearing upon general trade conditions in the United States.

* * *

A New Price Level for Copper Metal?

SOME copper authorities are almost ready to say that the world must become accustomed to a new and higher price level for copper, as compared with recent years. This idea is based on the fact that supplies of copper are strictly limited, while the demand grows rapidly with the increasing use of electricity.

No new copper mines of importance,

say these authorities, have been discovered for some years, and the supply has only been kept up to requirements by the application of new processes to the treatment of low grade, or porphyry ores. But the porphyry ores lie close to the surface of the ground. The principal bodies of such ore have been known for decades. They are by no means new discoveries.

Meantime the whole world has been raked over for new copper mines and none of any importance are found. Copper is a natural monopoly. Hence we must accustom ourselves to a new and permanently higher plane of prices.

The most prominent copper man in the world, perhaps, sums up the present situation:

John D. Ryan, President of the Amalgamated Copper Company: The copper sitation speaks for itself. It would be a good thing for everybody if consumption would let up a little, as there is no possibility of any increase in production for some time to come, but I see no indication of any falling off in consumption. It is plainly evident that copper is a scarce commodity just now. The consumption of metal in the first eight months of this year has been about ten per cent over the rate of consumption in 1912, while the increase in production has been at the rate of less than 6 per cent. During these eight months production was not affected by the strike in the Lake Superior district, as their smelters were running practically full during that time and the decrease on account of that strike will only begin to be felt from now on.

THE EXPLANATION.
Now that everyone else has given it up, Mr. Hi Costo Living and Mr. L. O. Wages explain their presence in song. From the Chicago *Post.*

But the Kilkenny Cats Agreed As Well As the Steel Men.

WHEN we come to the steel situation, however, it seems to be anybody's guess, if leading steel men are entirely frank in expressing their opinions. It's quite possible, of course, that some of them may have mental reservations when they talk with the reporters. What with the tariff revision pending, the suit against the Steel Trust, the probability of further anti-trust legislation, and the activity of Steel common in the stock market, it would indeed be rather remarkable if some of the steel men didn't have an "ulterior motive" in some of their interviews.

Here is what Judge Gary, chairman of the U. S. Steel Corporation, had to say recently:

E. H. Gary: I feel more hopeful in regard to the immediate future of this country than I have felt for a long time. I understand that the money value of this year's crops will be about $9,000,000,000, and I do not think that any financial apprehension need be feared for a country that can produce out of the ground that amount of crop value annually, to say nothing of the mineral products. Reports which I have received of the earnings of the Steel Corporation and other steel companies here are very good, and tonnage reports are also pretty good.

Charles M. Schwab, President of the Bethlehem Steel Corporation: Though Mr. Schwab said he expected to close a contract for the first ten vessels of his proposed ore fleet, with which to bring ore to the steel works from Chile, he could not help but feel pessimistic. Business was unsettled, even though his steel works were running night and day, and new orders were not coming in as fast as they should. He couldn't see how we were going to escape a return of the conditions which prevailed in 1893. The present, he said, reminded him of the period just preceding the panic of that year.

* * *

An Older Man Points Out Mr. Schwab's Errors.

PROBABLY Charlie Schwab didn't have a very broad grasp of economic conditions in 1893, as that was near the beginning of his meteoric career and he was then negotiating some of the lower rounds of the ladder. "A man who has been in the steel business for thirty years," and therefore passed through the discouraging period from 1893 to 1897, is quoted by the *Boston News Bureau* to the effect that condi-

"COME, NOW, DON'T BE SILLY."
—Bowers in Newark *News*.

tions now are not at all similar to what they were in 1893:

"In that year," said he, "the steel trade was over-extended. Manufacturers were doing a credit business on two, three and four months' time, and this was responsible for the panicky conditions which followed. There is no over-extension at the moment and credit of the various steel companies is better than it ever was. They are well supplied with working capital and as a result of lower costs are in a better position to meet foreign competition under the Underwood tariff measure."

The People's National Bank of Pittsburg may be in a position to view the steel business from a more impartial and detached standpoint. In a recent circular, it summarizes the situation thus:

Conditions are sound, and the prospects are that the last quarter of the year will witness a volume of trade in this district fairly up to the average of previous quarters. Beyond 1913 the vision of producers and distributers does not extend. They appreciate that the economic changes involved in the new tariff, banking, and currency legislation are unknown quantities, and that the financial problems of the railroads remain to be solved.

* * *

"Is Another Business Reaction Due?"

IN the past history of the country a very large number of business men have been accustomed to think that the terms "tariff reduction" and "business reaction" were practically synonymous. Something new happens every day or two and it may be quite possible that this condition, if it ever existed, has been outgrown by the progress of the country, improved methods and more stable business conditions.

Yet many of the men who have held those views are still alive and influential in business circles. Possibly some of the younger generation may dub them "old fogies"—and again, possibly the old fogies may know what they are talking about. The *Financial Age*, under the title quoted above, sums the matter up as follows:

With the enactment of the Administration's tariff bill, the question naturally arises, to what extent will this measure influence another reaction in general trade and industry? That some reaction is due there is abundant evidence at hand in the shape of statistics supplied by the country's leading commercial agencies, the tenor of which would seem to show that a very large production of manufactured goods is being maintained in the face of a very drastic shrinkage of orders.

It would be contrary to all economic precedents in this country, if general business should continue for any length of time to ignore the potentialities underlying so important a measure of fiscal policy as the law just passed. How long this period of vacillation will endure there is, of course, no way of telling.

For the present, at least, there appears to be no decrease in consumption of copper metal, but it is clear that this condition cannot continue in the event of a falling off in industrial lines consuming large amounts of copper. The most important of these industrial lines is, of course, steel. Prices for steel products are off from $2 to $3 per ton from the recent high level, which means a heavy impairment in the earnings of steel manufacturers. It does not appear that any heavy buying of steel products has developed as a result of the concessions offered. There has been a shrinkage in orders of from 25 to 50 per cent., as compared with the high level reached since the first of the year. Finally the market is being menaced

SOME OF US ARE NOT BOTHERED.
—From the Baltimore *Sun*.

by the large surplus of products which is being built up abroad and which will inevitably seek an output outside of Europe.

However, all trade authorities agree that present conditions in the world of business endeavor bear little similarity to those which obtained just prior to the late panic. For one thing, there is no over-extension apparent in manufacturing lines, and neither manufacturers nor merchants are doing as much credit business on short maturities as they did almost up to the day of the late cataclysm.

* * *

"Tariff Will Have Fair Trial."—Pres. Wood.

THE natural feeling of the tariff "reformers" is that the great corporations which have so largely benefited by the tariff in the past will now endeavor to discredit the new law, in order to encourage a return to the policy of high protection. This, however, the corporation managers couldn't afford to do, either from the point of view of their own reputations or the profits of their companies; but it is true that their prejudices might lead them to take an unduly pessimistic view of the situation and therefore to curtail their operations. One of them meets this point squarely:

President Wood, of American Woolen Co.: I am a protectionist. But those holding a different opinion now have control of the government. They have written a tariff law in accord with their views. It deserves a fair trial, and it certainly will have this from the American Woolen Co. No part of the great American market—the best market in the world—is going to be yielded to foreign manufacturers without resolute and determined efforts to retain it.

* * *

New England Opinion At Sixes and Sevens.

THE Yankees "down East" have never been noted for agreeing with each other any too harmoniously. Strong minds and strong opinions go together, they would doubtless reply. They are naturally more conservative than our Western friends, and the New Haven-Boston & Maine break-down hasn't tended to make them any more cheerful recently.

These two opinions from Beantown are about as wide apart as they could comfortably get:

The First National Bank of Boston: There is a tendency throughout most of the United States to ignore, for the time being, at least, such serious adverse factors as short crops, scarcity of liquid capital, dwindling railroad net earnings and disturbing legislation. In New England, although the improvement in sentiment continues, there remains a feeling of great conservatism. There is still an almost entire absence of buying into the future beyond immediate requirements.

Boston Commercial: A year of good average crops, which will be sold for more than usually high prices; a satisfactory volume of general business, the approaching termination of a tariff reform campaign, which has hung like a cloud over the situation for the past 10 months; the increasing assurance that there will be no stringency in the money market this fall and the pending enactment of a currency measure, the tendency of which will be, if anything, towards slight inflation, constitute a combination of factors which promise larger industrial and financitl activities and increasing prosperity in the year to come.

All over the world new business ventures have been held up for several months past by prevailing high rates for money and by the timidity of investors. The restoration of confidence is coming slowly and encountering many obstacles; but it is coming just the same.

* * *

What Will the Short Crops Do to Us?

THE crops are a mighty important factor in sizing up the business situation, and this year they are about 10 per cent. below normal. That isn't a disaster, certainly, but it is at least a misfortune. It is bound to have an effect on business this year. If prices are low, the farmer will suffer, and if prices go

ABOUT TO BE STUNG.

The country at large seems to be getting a lot of satisfaction out of the belief that Wall Street will be damaged by the Currency Bill. The above is the St. Louis *Post-Dispatch's* idea of the situation.

up enough to compensate the farmer for his small yields, consumers will suffer.

American National Bank of San Francisco: Taking into consideration all the products of the farm, it appears that drouth and other unfavorable weather conditions during the year have deprived the American public of wealth to the amount of more than half a billion dollars. A certain result of this condition, one, in fact, which already is evident, is an advance in the cost of living. Short crops in corn, hay and cotton are quite sure to cause higher prices for foodstuffs and cotton garments. This adds appreciably to the burden of the salaried man and wage-earner and paves the way for political and industrial discontent.

Financial conditions are a trifle easier, although large borrowers for commercial purposes still find some difficulty in obtaining what they require.

James H. Brookmire: We believe a period of readjustment must be experienced before business can again show an expanding tendency. Probably this period of readjustment will be comparatively brief, owing to the fact that business has pursued a conservative policy for several years past. We cannot have a combination of easy money and good crops before the summer of 1914 at the earliest, however, and meanwhile there is nothing in the outlook to warrant manufacturers in trying to force things; on the contrary, they should purchase materials only for immediate needs, and take advantage of the opportunity afforded to perfect efficiency in their working organization.

* * *

Bank Clearings Take a Jump.

FOR the month of September the total bank clearings for the United States took a jump of 8.4 per cent. over August, an unusual increase. In October down to date of writing the clearings have continued good. This doesn't look like that business depression which has been so generally predicted. However, the August clearings were close to the bottom level for three years, so there was room for improvement.

The September clearings have never been exceeded in any September except September, 1909—but of course the clearings ought to grow a little from year to year with increasing population and bigger business.

Current business conditions are thus summarized:

Bradstreet's: Cross currents in trade matters are noticeable. Distributive trade sentiment is optimistic; demand for prompt shipment of textiles is a pronounced feature of a scantily supplied market; buying of staple articles is liberal; collections continue to mend; demand for money for mercantile purposes is good; and car shortages are in prospect. Yet it is probable that trade is a shade less active than last week, this being due to an intermingling of various factors.

BALKING A LITTLE.

President Wilson is trying to persuade the Democratic donkey past a perilous position.—Duluth *News-Tribune.*

Marshall Field & Co.: Current shipments have continued in excess of those of the same period in 1912, and future sales are holding about even. Cash receipts are normal. Many of the retailers who have been in the market during the week report that their fall business is running ahead of a year ago.

* * *

Will the Currency Bill Bull the Stock Market?

ALMOST everything has been predicted as likely to happen if the Currency Bill is passed, from earthquakes and two-headed calves to gold eagles rolling uphill. The avowed object of the sponsors of the bill is to prevent Wall Street from cornering all the country's money—which represents the average politician's conception of Wall Street's present occupation—and discussion has hinged on the question whether the bill would really have the effect of diverting money from the Street or not.

Roger W. Babson presents the rather novel idea that the bill would start a bull movement in bonds and high-grade stocks:

I urge bankers to note that the effect of the new Currency Bill and the low interest rates of next year will be to promote a great

bull movement in bonds. Bankers and others who desire bonds should therefore now avoid short time notes and buy bonds. Moreover, many people consider conservative stocks in the same category as bonds, buying them for yield and hence, if the Currency Bill goes through, investment stocks will follow the bond market upward.

One can't help wondering what would happen if the subject were turned over to Mr. Babson and Byron Holt for settlement. The latter gives the poor bulls absolutely no comfort:

Looking all of the facts in the face we continue of the opinion that there can be no bull market either in this or in any other important country until liquidation has gone much further and until another crisis period, similar to that of 1873 or 1893, has been passed. With credits over-extended; with extravagance widespread; with radicalism rampant; with labor discontented; and with unrest everywhere, we see no escape from serious political and financial trouble. Some big failure in some part of the world may precipitate a crisis at any time.

* * *

Why So Much Fuss About the Bank of England's Discount Rate?

THE bankers of the world always keep a weather eye on the London money rate, and this year they have watched that rate more carefully than usual because of the Balkan War and the general scarcity of capital abroad. It will be remembered that Irving Fisher, in predicting an early industrial crisis some little time ago (which, by the way, has failed to put in an appearance on schedule time), said that it would probably start in Europe. At any rate, America has watched Europe with more than usual interest this year.

The New York *Sun* explains very clearly the importance of the Bank of England rate:

There is no better index of world conditions than that which the Bank of England's discount rate customarily affords. The world's money market has its leading center at London and all the economic forces operative throughout the world are reflected in the state of money at the capital of the British Empire. Practically speaking, the state of affairs in the United Kingdom is the least factor in determining the price of money at London. Discount rates at Berlin and at Paris, like interest rates in Wall Street, are provincial figures compared with London discounts and respond chiefly to home influences.

What the London money market measures is anything and everything that takes place wherever civilization has extended trade or trade has extended civilization. It measures both the disturbance of the currents of commerce from any cause, political or otherwise, and their return to normal flow in customary channels. Its quotations are a gauge of national and international soundness or unsoundness at the foundations of finance and a token of the strength or weakness of the industrial superstructure.

Because of the increasing complication of the business expression, of social effort with its political expression, the London money market also translates political progress or the reverse into concrete terms of percentage, whether of pounds, dollars, marks or francs. This is because the whole world is either permanently or temporarily, or both permanently and temporarily, in debt to London either part of the time or all the time.

There is no other financial center which approximates the barometric position of London, although every leading financial center to a greater or less degree performs a barometric function.

* * *

Is the Five Per Cent Rate a Danger Signal?

UNDER normal conditions, bankers consider that a 5 per cent. rate for the Bank of England is to be accepted as a signal that all is not as it should be in financial circles. The trouble is that normal conditions do not exist in the year of grace 1913. The general scramble for gold on the part of nearly all the big European banks is due far more to political than to ordinary business reasons. The *Sun* goes on:

NOW WE'LL SEE—
—From the Minneapolis *Journal.*

Broadly speaking, the bank rate is either a signal to all nations that storms are brewing or raging in the financial skies or that there is fair weather ahead. There are gradations of warnings or reassurance, but there can be no mistaking the fact that when the bank rate went to 5 per cent. last Thursday, returning to the level of a year ago after a six months interval of a half per cent. reduction, it was a token that the world's conditions were not favorable to expansive efforts in directions calling for any but the most conservative demands on capital and credit.

It does not follow that the restoration of the bank rate to 5 per cent. furnishes ground for apprehension or alarm. On the contrary, the action of the bank, taken in connection with the careful handling of affairs at London and other centers of the money market in the last year, is a reason for assuming that financial control is still being wisely exercised only in the interest of preventing trouble and maintaining whatever advantage has been gained by that control since a year ago. Nevertheless, notice is given that finance cannot afford to encourage just now the optimistic dispositions which have manifested a tendency to assert themselves lately in various lands, including our own, on the theory that the restraints and reactions of the last year warranted early preparations for expansive endeavor. If anything, the 5 per cent. bank rate in London shows that despite the liquidations, contractions and restrictions of the last twelvemonth, the world, financially regarded, is still just about where it was a year ago, with the same necessity for guarding against the contingencies of disturbing accident.

We reproduce from the *Annalist* a diagram showing the Bank of England's discount rate and ratio of reserve to liabilities for a series of years. It will be noted that reserves are not low, in spite of the high discount rate.

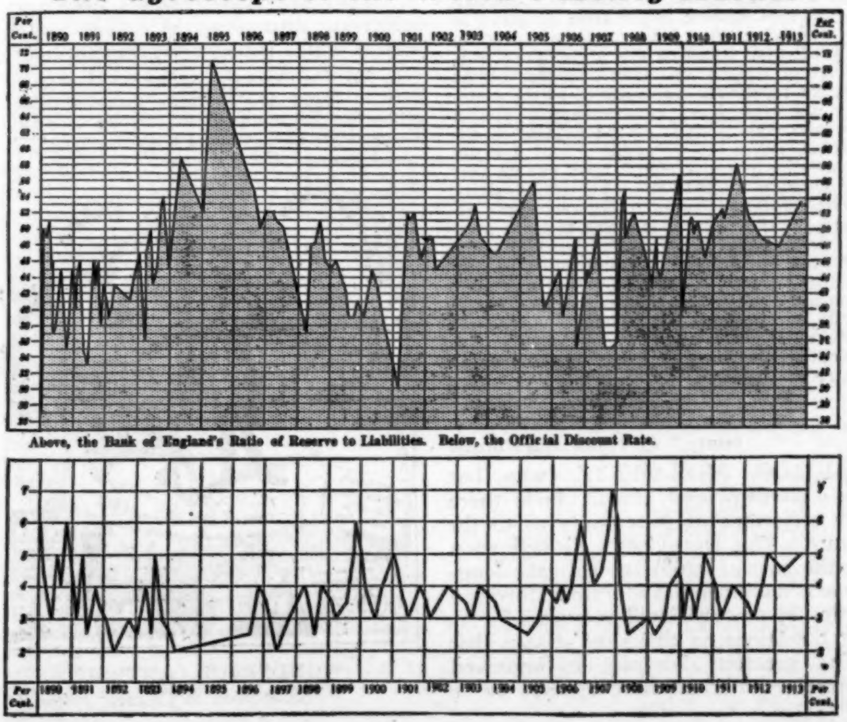
* * *

The Balkan Nations Go the Kilkenny Cats One Better.

IF there is anything more left of the Balkan nations than the tips of their tails, it will evidently be because the powers pull the combatants apart. And will the Powers do that? So far their efforts have been confined to continual and not very successful bluffing. Thus the New York *Financial Chronicle:*

The prospect in this new alignment of forces in the kaleidoscopic series of pictures in the Balkans, is altogether obscure. From one

The Gyroscope of the World's Money Market



Above, the Bank of England's Ratio of Reserve to Liabilities. Below, the Official Discount Rate.

A DIFFICULT ACT.

Congress juggling with the tariff, the currency, and the Mexican situation at the same time.—Duluth *News-Tribune*.

point of view, the fact of exhaustion through the previous fighting might seem to stand in the way of further military demonstrations; yet predictions based on this presumption during recent months, on other occasions of the sort, has repeatedly been falsified by the event.

On the other hand, it is possible to predict indefinite continuaunce of the fighting in the Balkans, degenerating, perhaps, into a series of raids by irregular troops upon one another and creating a situation of hopeless anarchy.

The actual outcome may lie somewhere between the two; but what seems to be at present clearly proved is that the neutral Powers are unable effectively to intervene or to control the belligerents. Perhaps this abstention from the duties which civilization would ordinarily impose upon the neutral States is the price of the harmonious diplomatic relations maintained between the larger Powers during the recent conflicts.

* * *

"An Undertone of Uncertainty," At Home and Abroad

VICTOR MORAWETZ, who has recently been abroad, finds there "an undertone of uncertainty as to the future. This engenders a disinclination on the part of capitalists to make long-time commitments and rather forces a desire to protect liquid resources." As for conditions on this side he says that "The greatest deterrent to improved business conditions here appears to be the uncertainty as to governmental action in regard to commerce and business, and especially toward our large corporations."

A well-considered opinion, and undoubtedly based on an intimate knowledge of the facts. But Oscar Straus, formerly United States ambassador to Turkey, took a more hopeful view of the foreign situation in a recent interview in Paris:

> Regarding the settlement effected by Turkey and the Balkan States, I can only state that in my judgment it will be permanent.
>
> I feel this is true, because the conditions under which the peace was arranged were completely satisfactory to all the so-called great Powers. These Powers, if they wish, can absolutely control the situation in the Balkans.
>
> Left to their own devices, the Balkan States and Turkey would soon be at each other's throats again, but I am confident the European Powers will, in future, prevent further hostilities, no matter how much Turkey and the Balkan States may wish to reopen them.

* * *

"The Money Power Prepares."

THAT is the title under which *Pearson's Magazine* presents some very surprising discoveries in regard to the way in which panics are brought about:

> In 1893 the Bankers' Association issued orders to banks to "carefully make a money stringency felt among your patrons, especially among influential business men."

WONDERFUL CONTROL.

—McCutcheon in Chicago *Tribune*.

Shortly before the panic of 1907 a similar letter was sent broadcast to the bankers of this country.

Only recently another such letter has gone out. The money power is working in mystic ways, its wonders to perform. As it pulls the strings and rules the world, its puppets in Washington dance merrily, some a little slower than others, but they all dance as the money power wants them to.

If such a letter as described had been sent out, it would be a matter of the highest importance to every citizen of the United States. That is why we comment on it here.

There is no organization by the name of the "New York Bankers' Association." Probably *Pearson's* refers to the Clearinghouse Association, the members of which, early in the present year, pretty generally warned their country correspondents that caution was necessary in extending credit if a severe financial stringency was to be avoided.

On this simple and necessary precaution *Pearson's* has seen fit to place a sinister interpretation.

* * *

What Really Averted The "Panic of 1913."

DOUBTLESS most of the readers of this magazine understand the action of the banks last spring in its true light, but the subject is explained so lucidly and so fairly by S. W. Strauss & Co. that what they say is well worth quoting:

When a financial stringency starts, or seems to be approaching, what is the first thing that happens? The banks try to stop it. We have been passing through a period of tight money this year, which might have developed into something worse were it not for the action of the banks. Storm signals were visible in the financial sky as far back as November of last year. Gold was heavily exported to Europe, contracting our visible supply of money—and we should never lose sight of the fact that gold is the only real money in the world, under present conditions. A disastrous and destructive war had commenced in Europe, and there was evidence of over-expansion in many nations.

So the warning went out to the banks of the country from New York and Chicago to proceed with caution, and to contract credit wherever possible. Liquidation was enforced everywhere; speculation was frowned upon; credit, except for absolute necessities, was generally withheld; and the banks devoted every effort to building up their cash reserves in preparation for the fall, when the harvesting of the crop brings a heavy annual strain on the nation's financial centers. By exercise of caution, and by informal co-operation among the banks of the United States, we probably have passed over the period of tight money very well, without feeling any serious stringency.

But do the banks get any credit from the public for their precautions? No, indeed. The old prejudice against the money lender still survives. They are accused of "conspiracy," even by the Secretary of the Treasury himself. So it's no wonder that sensation-seeking magazines re-echo the charge.

* * *

EUGENICS.

The Bankers' Eugenic Society examines Miss Currency Bill.—Webster in New York *Globe.*

The Banks' Case Against The Currency Bill.

AT the Boston convention of the American Bankers' Association the case of the banks against the Currency Bill was presented by A. Barton Hepburn, chairman of the bankers' own Currency Commission. On this commission were a score of the leading bankers of the country, from all sections. The conclusions of the commission are well worth a careful reading:

The bill in its present form imposes unwise hardships upon the banks, and equally unwise hardships upon the general public. The interests of the bankers and commercial public are coincident; no injury can be inflicted upon the one without the other also suffering. When business is active and prosperous, the banker shares in the benefit; when it is languishing, he feels the ill effects. The chief function of the banker is to loan his capital and other resources to his customers, so that they may increase the activity and extent of their business.

Any withdrawal of the bank's capital from these legitimate channels of trade not only entails a loss to the banker, but also to the business public.

The banks are required to subscribe to the Federal reserve banks an amount equal to 20 per cent. of their capital, one-half of which must be paid in at once, the other one-half being subject to call. This is to be taken over and placed under the management of a corporation in which the banks have not only a minority representation, but a very limited voice indeed. In return for the capital thus appropriated the banks receive a certificate, which cannot be sold, assigned or hypothecated, over which none of the usual rights of property can be exercised. The banks are obliged to make this subscription, or be dissolved.

Charters have ever been regarded in the nature of a contract, and it is doubtful if, under our constitution, Congress can take away the charter of a bank in this summary manner, not because the terms of the charter have been violated by the banks but because the bank management might refuse to make a coerced investment such as the pending measure provides.

There is no provision whereby a bank which subscribes money to the capital of the Federal reserve bank can recover the same, except by liquidation, either voluntary or enforced. A bank is given a maximum return of 5 per cent. upon capital subscribed—if earned. If the government can appropriate one-tenth of a bank's capital in the manner provided by this bill, they may appropriate one-tenth next year, and so on until the capital is all transferred to the Government bank. If they can fix the compensation at 5 per cent. this year they may make it 4 per cent. next year, and 3 per cent., 2 per cent., 1 per cent. or nothing—a very simple and easy process whereby the entire capital of the banks may be transferred to the Government.

* * *

Some National Banks Declare They Will Quit.

IF the situation is as bad as the commission makes out in the above paragraphs, what can the banks do about it? They can do only one of two things—submit to government management in accordance with the bill, or give up their charters as national banks and operate as state banks. Some of them have repeatedly declared that they will do the latter. For example, David R. Forgan, of Chicago, in an address to the Illinois Bankers' Association, spoke as follows:

There are forty-four State, and only thirteen national banks in the Chicago clearing-house today, and by far the greater part of the commercial banking of the country is done by State banks. Why? Simply because State charters are freer and more liberal than national charters.

There are only two advantages enjoyed by national banks as compared to State banks—the holding of country banks' reserves, and the issuance of currency. Both of these privileges are to be withdrawn by the new currency bill, and handed over to the new Federal reserve banks. National banks will then be left with nothing but their commercial accounts, and they cannot compete in that line alone with the freer and more liberal State charters.

They will, therefore, be forced to become State banks, and the national bank system will be reduced to trifling proportions, if not entirely destroyed.

"NEVER MIND, OLD MAN, I MAY BE SAVING YOU AN AWFUL TUMMY-ACHE."

—From Minneapolis *Journal.*

But Can the Banks Let Go of the Bull's Tail?

IN this matter of changing from national to State charters, however, the banks are like the boy who had the bull by the tail and couldn't let go. Their circulation is all based on government bonds, for which they paid a very high price. No considerable amount of these bonds could be sold except at a heavy loss to the banks. In taking out a State charter, therefore, the bank would have to start by charging up this loss against its increase of business, if any, as a State bank. The *United States Investor* figures out the situation in this way:

The threat has been repeatedly made in many circles that the national banks would not come into the system, but will withdraw and take out State charters.

In the first place it is manifest that a bank in order to leave the system would have to either carry along its bands for 20 years without any adequate income from the funds tied up in these securities, or else would have to stand a very heavy loss, probably not less than

20 per cent. of their face value, upon the bonds thus held.

Few banks would, as a business proposition, choose to incur any such sacrifice. It is out of the question for any large number of national banks to leave the system.

* * *

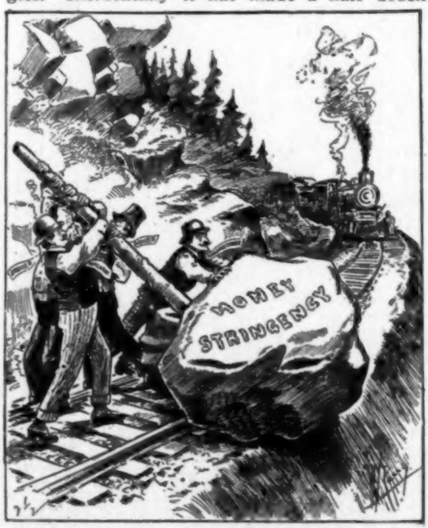
Legislating to Outwit The "Money Czars."

WHILE the majority of students oı finance are quite ready to admit that currency reform is needed, and that on a broad and comprehensive scale, there are still a considerable number who disbelieve in all such schemes and think all that is needed is an amendment to present laws. This point of view is presented by H. P. Taylor & Co., of New York, in a thoughtful circular on the currency question:

The Glass-Owen bill is a bill with an entirely commendable motive. That motive is to stop the vast accumulation of bank reserves at New York, to which they are sent from all parts of the country to be loaned out on call to speculators at the high rates which they can pay and which merchants and manufacturers cannot. This accumulation has deprived productive industry of bank accommodation while promoting wild and disastrous speculative orgies. Incidentally it has made a half dozen New York bankers the money czars of the country.

The proper cure for this evil, against which business men have justly complained, is a simple amendment to the national banking act reducing the percentage of their reserves which banks may deposit in other banks.

It is to be regretted that the "mobilization" experiment is to be complicated with a new form of currency issue. Price inflation due to the cheapening of gold is already deranging markets and exciting serious social and political unrest. That further inflation should be thought desirable and that uncovered issues of notes should be devised for the purpose, is not complimentary to the country's reading of financial history.



CLEARING THE TRACK.

This shows how they do it in Canada, according to the Montreal *Star*. The manufacturer, merchant, broker and banker are working together to clear the line for the "Progress" express

* * *

The "Fade-away" As Applied to Dividends.

FEW investors realize how many dividends have been passed or reduced during the current year. The list, as compiled by a leading investment house, is given below. There have also been some increases, of course, but much fewer in number than the decreases.

PASSED.	REDUCED.
Boston & Maine	St. Louis S. W.
Big Four	Bangor & Aroostook
Natl. Ry. of Mexico	Chesapeake & Ohio
'Friso	Illinois Central
Western Maryland	New Haven
Am. Beet Sugar	Penna. Steel
Am. Writing Paper	Arlington Mills
Am. Zinc, Lead & S.	Calumet & Hecla
Int. Agric. Chemical	Mohawk
Inter. Motor	Osceola
Nipe Bay	Quincy
Pope Mfg.	
Revere Sugar	
Rumely	
Union Bag & Paper	
Virginia-Caro Chem.	
Vulcan Detinning	

* * *

Electric Trains New York to Philadelphia.

ABOUT a year ago the Pennsylvania Railroad announced that its main line would be electrified forty miles out from Philadelphia. Further steps in electrification have recently been taken, so that by the end of 1914 it is planned to have half the trains running into the Broad Street station under electric power.

The *Industrial World* announces:

It is considered morally certain that the equipment to be used at the Philadelphia terminals will duplicate that used by the Pennsylvania in the New York tunnels, since the ultimate intention is to run electric trains through from New York to Philadelphia.

Speculation and Investment Under the New Banking Bill

By H. PARKER WILLIS, Expert to Banking and Currency Committee, House of Representatives

[Mr. Willis, through his study of the subject and his close association with the Banking and Currency Committee in the preparation of the bill, is perhaps the best qualified man in the United States to discuss the practical working of the proposed law and its effects on the banking and investment situation.]

THE effect of the banking and currency measure recently passed by the House of Representatives and now pending before the Senate Committee on Banking has already received an immense amount of analysis and discussion from divers authorities of various grades and of widely differing interests. Singularly enough, however, the measure has been given comparatively little attention in its relation to the broad subject of investment and speculation. Partly because it has not been thought wise by opponents to complain of its possible effect on speculation and partly, it would seem, because scientific students of that subject have given but little attention to it, this phase of the bill has been almost ignored.

And yet it is probably true that nothing more profoundly affecting investment and speculative conditions in the broadest sense has been proposed by Congress for a long time than the bill which is now before the Senate Committee. This important significance does not, however, lie in any direct relationship to speculation or investment. On those topics the bill has nothing to say. Its influence is found entirely in the fact that it is intended to, and will undoubtedly, accomplish a radical transformation of banking methods in the United States. While it is true that this change will not be produced at once, that the first phase of it will be spread over a three-year period, and that even after that time its full effects will not make themselves manifest for a considerable time, it is probable that from the very beginning of the history of the measure, should it become law, it will prove a powerful if subtle alterative in the investment and speculative field.

EUROPEAN AND AMERICAN CONDITIONS COMPARED.

There are two avenues through which the consequences thus referred to will be reached. One is the redistribution of bank reserves provided for in the bill; the other is the creation of a market for commercial paper. As is well known, European markets are dependent upon, and European banks are chiefly interested in, such paper. Their assets consist of it primarily, and it is the rate thereon that regulates the flow of gold into and out of such countries.

In the United States the situation is quite different. The assets of the New York banks are founded upon stocks and bonds, and the flow of gold is regulated by the call money rates far more nearly than it is by the rate upon commercial paper. European banks hold their reserves in cash, American banks to a large extent count as reserve a mere credit on the books of a reserve city or central reserve city bank—in other words their reserves in large measure consist of the demand liabilities of other institutions.

Under the new bill, if enacted, reserves will no longer thus consist of claims upon other banks whose assets are largely titles either total or partial to stocks and bonds. The Glass bill requires that reserves shall be either held at home in cash in the vaults of the banks to which they belong, or else shall consist of balances with the new institutions, or "reserve banks," as they are to be called, which are to be

created under the proposed measure. It is quite true that the credits on the books of the reserve banks which are to count as reserves of the member banks holding their stock may be obtained by rediscounting paper, but this paper is required to be strictly short-time commercial obligations.

In other words, a very large volume of deposits which now represent either actual money drawn from the interior, credited to the bank depositing it and loaned by the bank which gets it upon stock and bond collateral; or else which represent discounts accorded by central reserve city banks to correspondent banks, sometimes upon the strength of stocks and bonds put up by them as collateral, will henceforward be either cash deposited by member or stockholder banks with the reserve banks and loanable by the latter only upon commercial paper, or else will be book credits obtained by rediscounting strictly commercial paper brought in by member banks as a basis for accommodation and accepted by the reserve banks which rediscount it.

The other avenue of change already referred to is found in the creation of a commercial paper market, as indicated. The bill recognizes the "acceptance" principle, by allowing national banks to accept paper growing out of transactions in international trade, and it also creates a situation that will immensely facilitate the flow of funds from one part of the country to another. It will be possible, therefore, for banks with spare cash in all parts of the country to use this cash in buying paper originating elsewhere and suitable for rediscount. They may do this with the full assurance of getting their money back when they need it through the rediscount process, for they will be protected both as to the character of the paper they take and as to the market for it, while the means of testing and investigating it will, if the reserve banks work as they are expected to, be very greatly simplified as compared with present conditions.

The tendency of this change will therefore be to enable banks which have funds free and clear for investment at any time to find a profitable use for them. Insofar as these banks today employ their spare funds of this kind either in short-time or call loans on stocks and bonds, or in the purchase of securities which can be used as a secondary reserve, the new bill will therefore tend to reduce the amount of funds likely to be available for loans upon, or purchases of such stocks and bonds.

It will be observed in what has been said that there is nothing whatever to prevent banks from continuing to deposit their funds just as they do at present with other banks in reserve cities. Indeed the new measure by reducing the reserve requirements of present law makes it possible for banks to comply with its reserve requirements and yet to maintain a very considerable part of their present deposits with other banks just as they now do, without tying up or involving any more of their funds in the aggregate than they do at present. That they would for some time continue to do just this, maintaining their present deposits in a very large degree, there is no reason to doubt, and they would probably continue indefinitely thus to maintain the deposits unless the new bill, by fulfilling its purposes insensibly drew them away through the channels already described.

There would, however, be nothing to prevent those who desired to use such funds for the purposes to which they are now applied from getting them in the same way that they now do, if they were willing to pay for them. This payment would have to be sufficiently high to induce the owners of the funds to continue devoting them to their present employment rather than to any other, and that fact raises the question whether the rates that are habitually paid for the use of money in carrying stocks and bonds in the United States are high enough to continue to attract the funds under the new system, and whether they are relatively higher than in other countries.

WOULD RAISE CALL MONEY RATES.

It is eminently probable that the rates now paid for call money by borrowers in New York City would not

prove to be high enough to attract an equal amount of funds under the altered conditions referred to. Call money rates in New York have long been extremely low. This subject was fully dealt with by the National Monetary Commission and has also been investigated by the Comptroller of the Currency.

The Comptroller in his last report showed a general call money range of from 2 to 6 per cent. in the latter months of the year, and of 2 to 5 per cent. during the first half of the year as a rule. The general average was in the neighborhood of 2½ per cent., although sometimes higher. At the same period time loans for sixty days were running from 3 to 4½ per cent. with an average decidedly higher than that charged for call loans.

The Monetary Commission shows in its compiled statistics that rates abroad are not subject to any such discrimination as is thus indicated. Commercial paper of the best varieties is preferred.

As is well known, the broker who loans to customers who are dealing with him on margin charges a rate of interest materially higher than that which he himself pays to banks, so that his business, if large, nets him a handsome profit on the difference between the interest he pays and the interest he charges. He is able to get a low rate of interest from the banker because he stands ready to liquidate on demand, while the customer pays the same rate of interest he would probably have to pay at the bank, or perhaps a trifle more.

It is doubtful whether the broker would be able to continue to draw profits from this source in the same measure that he now does. The chances are that his margin would be very materially narrowed, due to the changes in the rates of interest resulting from the operation of the new measure as already outlined. Were he to attempt to raise the rate charged to the customer he would cut off a certain amount of trading. Probably no very considerable advance of this kind could be effected.

On this basis, therefore, it might be expected that stock operations would not be as profitable as they now are for the broker, while they would, in addition, be more or less circumscribed by the scarcity of funds, as compared with present conditions, available for them. But, as already stated, there would be nothing in the new measure to prevent anyone from getting the use of funds for speculative purposes if he were willing to pay the price necessary to draw them in.

Thus far we have spoken almost exclusively of temporary speculative operations. The effect of the bill upon distinctly investment business is also worth consideration, although it is less easy to anaylze, and such an analysis can be made only in broad general terms. By providing a suitable commercial paper market, and thereby giving banks the opportunity to use their spare funds economically and successfully, one general effect of the measure would be to withdraw some bank funds which have heretofore been put into well-seasoned securities intended to form a kind of "secondary reserve."

The tendency of the bill would also be very strongly against the continuation of underwriting operations upon their present footing and by their present methods. This would be due to the fact that the banks would have much smaller quantities of idle funds for which a temporary employment was desirable, than they now have.

But it is undoubtedly true that banking would be much more economically carried on than ever before, since it would require a very much smaller amount of reserve cash to sustain with safety a given volume of bank loans. Almost from the very passage of the bill there would be set free a considerable amount of cash, which, if required, could be drawn upon for permanent investment purposes, inasmuch as it would not be needed to sustain existing bank loans or transactions. This surplus fund would be available as its owners chose to use it for permanent investment purposes, and might be so applied. It would also be true that in future a less quantity of fluid funds would be needed to sustain a given unit of banking transactions; and that, out of say $1,000 of such funds now

required for the maintenance of bank loans under present conditions, only a proportion would be henceforward needed to sustain an equal amount of transactions, thereby leaving the difference for direct permanent investment.

NO CONTRACTION OF LOANS.

A question growing out of the banking measure which is of considerably greater importance from the immediate direct standpoint of the investor or stock operator than the broader and more remote questions relating to the banking bill, is whether or not the measure as now drafted would cause a "contraction" when put into operation.

At present, banks in central reserve cities are obliged to hold 25 per cent. of demand liabilities in cash, while those in reserve cities must hold at least 12½ per cent. in cash and 12½ per cent. more, which may be balances with banks in central reserve cities; while country banks must hold 15 per cent. in all, of which 6 per cent. must be cash and 9 may be balances. Under the new bill the city banks of both classes must hold 18 per cent., of which 9 may be balances with one of the new Federal reserve banks, while 9 must be in cash; and the country banks must hold 5 in cash and may hold 7 with a Federal reserve bank. Every bank, however, must have at least 5 per cent. of its required reserves—of 12 or 18 per cent. as the case may be—as a balance with the Federal reserve bank of its district.

To work out exactly how this changed requirement would operate is a matter of very great detail and considerable complexity. We may sum the matter up by saying that, if it be assumed that the new reserve requirements are complied with by transferring cash from existing banks to the reserve banks, the situation would require about $116,000,000 more cash than at present. Beside this, there would be a demand for the capital of the new banks which would have to be paid up in cash and would be $100,000,000, a total of $216,000,000. Offisetting this theoretical shortage of cash, is the fact that under the new plan the government would deposit in the reserve banks probably $100,000,000 in actual cash more than at present.

On the other hand, it is of course a fact that existing bank balances in reserve and central reserve cities have not been created by the depositing of actual cash but by the discounting of paper in many instances. If the credits with the new Federal reserve banks which existing banks are required to get were to be obtained by rediscounting, there might be a theoretical release of cash amounting to $450,000,000 which could be used by the existing banks as a basis for fresh loans.

It is not likely that the reserve banks—which under the new plan will control the rate of discount—would permit any such expansion, but that there would be some expansion cannot be questioned. This expansion would relieve tension in other directions and would of course mean easier conditions, not only for those who were borrowing for commercial purposes, but for those who were operating on an investment or speculative basis.

It can be stated with the greatest emphasis that there will be no contraction, but that on the contrary *a very decided expansion, of bank loans, could and undoubtedly would be effected.*

This of course is a statement which applies to the period when the plan had fully gone into effect—a date deferred under the bill for three years. Exactly the same situation would exist during the introductory period prior to the date when the measure became fully effective, except that it would be even more emphatically true that no contraction would be at all likely to occur.

WOULD NATIONAL BANKS WITHDRAW?

Of course all this is upon the assumption that the great bulk of the national banks would enter the system if the bill were to become law today. Of late there have been bankers and others who have predicted that, in the event of the enactment of the measure, a very considerable proportion of the

national banks would leave the system and by so doing would cause tremendous contraction through the retirement of their currency.

This overlooks the circumstance that before a bank can leave the national system it must deposit lawful money with the Treasury to meet its outstanding liabilities. Under the new bill the Treasury is to re-deposit all funds in its possession with the new reserve banks. Unless absolutely all national banks, therefore, withdrew from the system *there would be as much fluid cash available for banking purposes at every moment during the process of organization as at the beginning*.

The fact, moreover, is that the withdrawal of banks through the surrender of their charters with a view to transferring into the state systems open to them would make it increasingly desirable, from the standpoint of profit, for other banks to continue members and to take up the shares in the Federal reserve banks. There is, indeed, no probability that any considerable number of banks would withdraw. Even if there were nothing in the points already advanced, the sacrifice entailed upon banks by surrendering their circulation and withdrawing their bonds (which would then be unsalable except at a discount of some 25 per cent. below par), would be so great as to put such action out of the question. Boards of directors would not sanction it; and even if they would, stockholders would not tolerate any such sanction by boards.

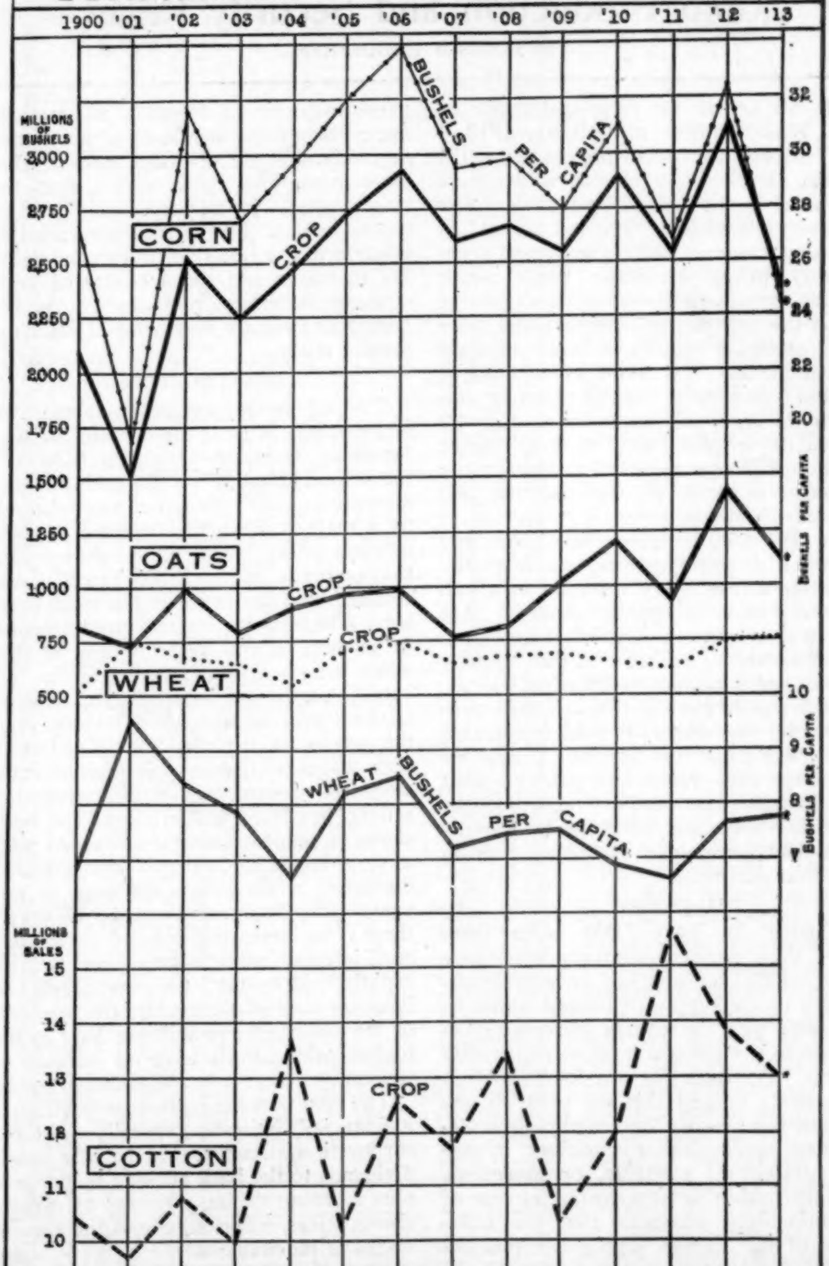
SUMMARY.

In summary, therefore, the adoption of the banking bill as now framed would tend to relieve such stringent conditions in the money market as today exist, would almost immediately cut rates of interest wherever they are now abnormally high, and would generally ease the tone and position of the money market. Banks, able to forsee and discount the future, would guide their conduct in accordance with what they knew to be the prospects in regard to the use of reserve money, even before an actual change in conditions had been brought to pass.

In the long run, when the measure had had time to produce its full effects, it would tend to lower rates on commercial paper and incidentally to raise those charged on call loans, bringing them more nearly to the relative level upon which they are found in foreign countries.

It would tend to make speculation somewhat more expensive than at present, and might reduce the intermediate profits made by brokers on their interest accounts. But it would in no way prevent the making of bank loans upon collateral security of the present types, and in the event of necessity it might even render possible the throwing of considerable sums into the stock market by enabling banks to obtain a ready rediscount of their commercial paper and thus to get cash which they could use, if necessary, in collateral loans.

COMPARISON OF THE CROPS SINCE 1900



* 1913 Estimated Government Report as of Oct. 8.

Gold Production and Security Prices

By JAMES H. BROOKMIRE

IN an article in THE MAGAZINE OF WALL STREET in October, 1912, I discussed in detail the causes of the cycles of trade and finance which have occurred in the United States every few years. The violent "ups and downs" in banking reserves and security and commodity prices attending these minor cycles entail such major consequences upon the fortunes of investors and business men and require so much of their attention that the trend of the major cycles is generally deemed of minor importance except among economists, who speculate academically in long range economic perspectives rather than in the immediate trend of the security and commodity markets.

In 1913, however, as in almost any year of declining prices, we hear the question asked: Are we done with bull markets and prosperity booms? Are not wages and the cost of living on a permanently higher scale so that security values are permanently impaired?

It is my purpose in this article to consider the tendencies in gold production and commodity and security prices for the past fifty years and present what conclusions seem justified regarding the probable influence which gold production may have upon security values in the near future.

THEORY.

During the past 2,000 years there have been eminent thinkers who have believed that any marked increase or decrease in the supply of money would be followed by a consequent increase or decrease in the general level of commodity prices. Against this thesis it is very frequently argued that the price of any commodity is so overwhelmingly dependent upon weather conditions, in case of agricultural products, or inventions and mechanical improvements, in case of manufactured products, that the influence of the money supply is either *nil* or inconsequential, and can therefore be disregarded.

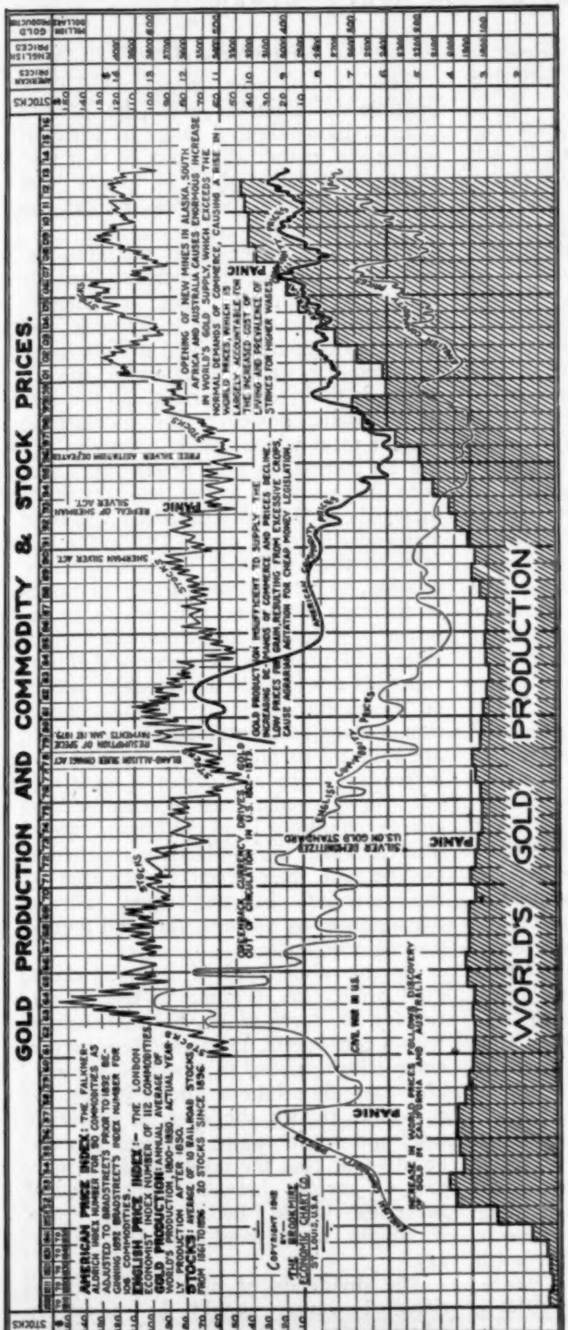
The fact remains, however, that the great majority of business transactions are exchanges of merchandise for money or credit, and we will here assume what most economists now agree, that the long swings in the average level of prices have a distinct and ascertainable relation to the supply of money, and that the economic and social effects of price changes resulting from changes in the supply of gold are deserving of the most careful study.

CHARTED FACTS.

The accompanying chart shows two large bulges in gold production, the first becoming conspicuous about 1850 and the second about 1897. In each case the increase in gold production was followed by a marked upward movement in commodity prices. The chart shows also that each rise in commodity prices is discounted by an advance in the stock market. The reasons for the rapid advance in security prices in each case is that when commodity prices begin to advance, wages and interest rates remain stationary or advance more tardily than the prices of merchandise. Obviously, with wages stationary and interest rates adjusted upward less rapidly than the selling prices of his product, the merchant or manufacturer is rewarded with a very handsome surplus available for dividends while prices continue to advance. As business expands, however, there is an increasing demand for money, and interest rates soon begin to rise rapidly. Moreover, the vast army of laboring men who must buy the products of the manufacturer and merchant at the higher prices, must have an increase in wages, or accept a less amount of goods.

The question here presents itself: Is it financially wise and morally right for corporation directors to increase stock dividends to the limit allowed by the surplus accruing during a period of rapidly rising prices, when a general increase in wages is inevitable later?

Probably this question cannot be answered dogmatically one way or the other. On the one hand, it may be said



that since stockholders are the residuary claimants to corporate earnings, they, more than labor, are entitled to increases in surplus earnings which are the result of far-sighted and efficient management just as they, more than labor, must sustain losses which are the result of short-sighted and inefficient management.

The state and federal governments do not undertake to reimburse, stockholders for losses and should not prevent them from receiving a due reward for their foresight when an investment proves profitable. To the extent that increases in surplus earnings are due to the fact that selling prices have outrun wages and interest rates under the stimulus of an excessive increase in money, however, the advisability of appropriating such accumulations of surplus to stockholders is questionable, and the chart shows that extreme conservatism in the matter of increasing dividends is demanded if we are to arrive at a state of financial stability such that investors in the United States can enter the stock market at most any time and buy securities based on properties of unquestioned intrinsic merit without being in danger of suffering abnormally large losses due to mistakes of corporate management.

For instance, in 1898 a terrific bull market was initiated. Labor had just suffered a period of unemployment and was willing to accept work at low wages. Money was plentiful. The advance in the stock market was largely

possible because the selling prices of commodities advanced more rapidly than wages and interest rates.

In 1903 and 1907, however, the laggard interest rates increased rapidly and overtook and checked commodity prices, the result being a smash-up in the stock market in each case. During this period the wages of labor advanced moderately, because higher wages were offered by employers to get needed help. Gradually, however, the increased cost of living, due to higher commodity prices, made itself felt, and labor, being efficiently organized, began to demand a larger and larger share of the proceeds of railroad and other corporate business.

In 1910 railroad employees succeeded in obtaining a very large increase in wages, and in 1912 and 1913 have been demanding and obtaining more. Roads which have been wisely managed, i. e., have recognized the fact all along that there are "ups and downs" in business, and have accordingly turned back a large proportion of their surplus into maintenance, are now able to increase wages and still maintain dividends. The Pennsylvania road has for fifty years devoted largely of its surplus to the upkeep of the road, although this policy has provoked much criticism from the shareholders of Pennsylvania stock in England, where it has been the custom for railroads to appropriate a larger proportion of surplus earnings to stockholders than has the Pennsylvania. The United States Steel Corporation, too, has recognized the fact that lean years follow good years and has made liberal appropriations for the upkeep of plant, and during the current year has been able to announce an annual wage increase of $12,000,000 to its lowest class of laborers.

Many corporations, however, which have appropriated too largely of their surplus to dividends, and too little to upkeep and wages, in order that their shares might appear more attractive to the rank and file of investors, now find it difficult to maintain dividends. Hence, although commodity prices from 1910 to 1913 have been on the up-turn, security prices have continually shown a reactionary tendency.

THE OUTLOOK.

The question now arises: Will it be possible to maintain even the present rate of dividends and range of prices if wages are further advanced, or is it necessary that labor shall be pretty well liquidated before the stock market can enjoy another bull era?

Those who believe that gold production will continue to increase steadily naturally maintain that commodity prices will also continue to increase, and industrial corporations will thus be compensated for wage increases by the increase in their selling prices. In the case of railroads, however, the increase in freight rates which should naturally follow an increase in gold production along with increases in wages and prices of materials used by the railroads, has been artificially checked since 1910 by the rulings of the Interstate Commerce Commission, and if gold production continues to increase in the near future as it has in the past decade, an increase in freight rates will probably be necessary if our railroads are to yield a reasonable return on the capital invested. In this connection it may be mentioned that not only are railroad surpluses being impaired by increasing wages and prices of materials, but also by an abnormal increase in fixed charges resulting from the higher rate of interest which the roads are compelled to pay because their credit is impaired by the restraints imposed upon railroad management by various state and federal government bodies.

On the other hand, if, as some claim, gold production is going to remain stationary or decrease in the near future, with a consequent downward tendency in commodity prices, this would measurably ease the strain on the railroads, for it would reduce the cost of materials used and render wage increases less imperative, so that the position of the margin of surplus between expenses and revenues would be improved, even if freight rates should remain stationary.

The dividends of industrial corporations, however, would be adversely affected, for, with selling prices declining, it would be necessary to check the present rising tendency of wages in

order to prevent impairment of surplus.

Perhaps the wish of the managers of industrial corporations should be for gold production to increase rather than decrease, for it is easier to settle labor disputes by upward adjustments of wages than the contrary. The period preceding 1896 is an illustration of what labor difficulties arise when commodity prices show a general declining tendency, and no doubt the industrial and financial difficulties of the period were in some measure due to the fact that gold production failed to keep pace with the demand for money arising from the rapid expansion of business during the period.

It is also probable that railroad managers would find it easier to obtain the freight rate increases from Commerce Commissions necessary to compensate for increased wages and other expenses in the event of further increases in gold production, than to depress wages if a steady decrease in gold production should necessitate such action in the interest of dividends.

Whether gold production will increase or decrease in the immediate future is hazardous of prediction. About the most thorough analysis of the subject that has come to our notice is found in an article in the *American Economic Review* (September, 1912) by Prof. Irving Fisher, of Yale University. He thinks that at least a moderate increase in gold production can be expected during the next fifteen years. If this should prove true, industrial corporations could probably maintain dividends in spite of wage increases, if the latter are not excessive; but railroads would have to obtain an increase in the selling price of transportation.

Probable Stock Exchange Legislation

Summary of Pujo Committee's Recommendations Regarding Stock Exchanges with Some Comments Thereon.

[The report of the Pujo Committee probably foreshadows the legislation which will be attempted at the coming regular session of Congress. The conclusions of the Committee are of great importance to investment markets and therefore to all investors.]

A SINCERE legislative inquiry into the abuses or imperfections of any branch of trade is worthy the respectful and thoughtful attention of all public-spirited citizens.

For no line of business is free from dishonesty or reprehensible methods; and still less is there any line in which present methods could not be improved and made more conducive to the public benefit by careful study and co-operation between legislators and the business men concerned.

The work of the Pujo Committee was sincere and reasonably thorough. The methods of the inquiry were unusual, and the counsel of the committee showed a curious spirit of antagonism towards the stock exchange and everybody connected with it. This spirit is occasionally visible in the phraseology of the report.

But that, after all, is an unimportant matter. The real questions are: What were the facts brought out by the inquiry? Are the committee's conclusions justified? Are its recommendations, if carried out in legislation, calculated to promote the public interest?

It is to be borne in mind that the committee was not appointed for the purpose of investigating and recording the public benefits derived from the business of the Stock Exchange, but for the purpose of pointing out the defects of present methods and devising ways of remedying such defects. Therefore the general attitude of the report is necessarily and unavoidably one of criticism.

Few will agree to the wisdom of all the legislation suggested; but in a general way the attitude of the committee as expressed in the report is sane and reasonable, and many of the committee's criticisms are justified.

The fact is recognized that our stock exchanges "are essential instrumentalities in the conduct of modern business and finance."

The committee expresses the belief that the suggested legislation would bring to the Stock Exchange "the dawn of a new era of prosperity for its members and of usefulness to the public"—which is certainly a consummation devoutly to be wished.

The report states that a part of the business of the Stock Exchange "represents wholesome speculation," and in regard to short selling it says "we do not think that speculation for the fall any more than for the rise should be prohibited altogether"—thus recognizing the legitimate economic functions of speculation and of short selling.

METHOD OF ENFORCEMENT.

The plan of the committee for enforcing the proposed regulations is to prohibit the use of interstate mails, telegraph, or telephone by members of exchanges not conforming to such regulations; or to lay a prohibitive transfer tax on the dealings of such exchanges. Numerous court decisions are quoted tending to show the constitutionality of these methods of enforcement.

The following paragraphs contain the important part of the committee's "Conclusions as to the Stock Exchanges":

The stock exchanges in our principal cities, and especially those in New York, Chicago, Philadelphia, Pittsburgh, and Boston, are essential instrumentalities in the conduct of modern business and finance. Their local habitation has little relation to their sphere of usefulness or to their capacity for evil if permitted to be utilized for illegitimate ends. The main inquiry on this subject has been into the operations of the New York Stock Exchange, which are probably greater in volume of transaction than all the others combined, but the conclusion reached as to that apply also to the others.

The contention of the New York Stock Exchange that it is not engaged in business and that its sole function is to supply a

meeting place where its members may deal with one another under prescribed rules is not borne out by the facts, as hereinabove stated.

Its opportunities as an agency of corporate reform are almost endless, provided its own practices can be reformed so as to entitle it to exercise these broad powers. Instead of the investment business of the country abandoning the exchange, as is now and has been to some extent the case for some time past, it will become necessary to the reputation and salability of a security that it should be listed. The general public, which has grown to look upon the exchange with distrust because of the practices that have been permitted, will be given new confidence in it when it is under legal supervision.

It has appeared that sales of stocks on the New York Stock Exchange average $15,500,000,000 annually; that but a small part of these transactions is of an investment character; that whilst another part represents wholesome speculation, a far greater part represents speculation indistinguishable in effect from wagering and more hurtful than lotteries or gambling at the race track or the roulette table because practiced on a vastly wider scale and withdrawing from productive industry vastly more capital; that as an adjunct of such speculation quotations of securities are manipulated without regard to real values and false appearances of demand or supply are created, and this not only without hindrance from, but with the approval of the authorities of the exchange, provided only the transactions are not purely fictitious.

In other words, the facilities of the New York Stock Exchange are employed largely for transactions producing moral and economic waste and corruption; and it is fair to assume that in lesser and in varying degree this is true or may come to be true of other institutions throughout the country similarly organized and conducted.

Your committee believes, therefore, that Congress has power unconditionally to prohibit the mails, the interstate telegraph and telephone, the national banks, and all other instrumentalities under its control, from being used in executing, negotiating, promoting, increasing or otherwise aiding transactions on such stock exchanges.

SECTION 3.—CONDITIONS REQUIRED TO BE MET.

Your committee, however, is of opinion that to a great extent the objectionable features of operations on stock exchanges would be eliminated if the following conditions were met:

(*a*) *Incorporation.*—If such exchanges were to become bodies corporate of the States or Territories in which they are respectively located.

Whilst, of course, they can not now do anything contrary to law, nevertheless the State can not exercise in their case that comprehensive control and close and summary supervision which it may exact of corporate bodies as a condition of permitting them to exist at all. If such exchanges were required to incorporate, the State could write into their charters provisions calculated to restrict them to legitimate purposes and suppress the abuses described; and by a system of examinations and penalties could enforce such provisions.

The principal objection urged by the exchange against incorporation is that it will interfere with its power of discipline over its members and thus lower the standard that has been reached and that can only be maintained by an unquestioned final authority. Not wishing to criticize harshly, we are yet bound to say that we do not consider the standard attained by the exchange under freedom from governmental supervision to be of such character as to constitute a valid reason against such supervision.

But aside from that, no reason is perceived why any such result as suggested should follow from giving to an accused member whose reputation and entire business career and means of livelihood depend on the action of his co-members and competitors the manifest measure of justice of a review by an impartial authority. There is no danger that the courts will deal less severely or less effectually than has the exchange with the frauds practiced upon the public which it is the purpose of incorporation and regulation to prevent and punish. That would be difficult. Nor are they likely to regard manipulation with any less disfavor.

(*b*) *Publicity of affairs of corporations.*—If such exchanges required corporations whose securities are listed by them to file before the listing and thereafter at regular intervals, for public inspection, a verified statement showing item by item their assets and liabilities and income and expenses, and for what their capital stock has been issued, stating how much for property and other considerations, with a description of such property and considerations and a statement of any commissions paid to promoters, brokers, middlemen, or vendors; a verified copy or statement of any contract, whether in writing or parol, in any manner affecting the issue sought to be listed or relating to any interest therein of promoters, bankers, middlemen, or vendors; and a verified statement of any transactions, direct or indirect, between such corporations and their officers and directors.

By such publicity misrepresentations of the value of securities and speculation promoted by intimations of "hidden assets" would be rendered more difficult, if not impossible.

(*c*) *Margin of 20 per cent.*—If they required that no orders to purchase the stock of any corporation shall be executed without a partial payment of not less than 20 per cent. of the price agreed to be paid therefor.

Such a requirement would, obviously, curb speculation; the smaller the margin required the larger the number of shares that a given sum can purchase.

(*d*) *Manipulation.*—If they prohibit so far as possible the execution of simultaneous or substantially simultaneous orders proceeding from the same person or persons to buy and sell the same security for the purpose of creating an appearance of activity therein, and any orders the purpose of which is to inflate or depress the price of any security.

Such a regulation, effectively enforced, would go far toward abolishing the processes of manipulation.

(*e*) *Rehypothecation of securities.*—If they effectively prohibited members from pledging or hypothecating securities purchased and carried for the account of a customer for an amount greater than the unpaid portion of the purchase price, whether with or without the consent of such customer.

Without consent, such practice is misappropriation, and in any case, as we have seen, it seriously endangers the safety of the customer's securities, making redemption in the event of the broker's failure possible only, if at all, by payment of the full amount borrowed by the broker.

This injurious result might be avoided if the broker were required to state on the loan envelope opposite each item of collateral the amount owing to him thereon, and were prohibited by law from borrowing and the banks from lending any larger amount.

(*f*) *Lending customers' securities.*—If they effectively prohibited one member from lending to another securities carried by the former for customers, whether with or without such customer's consent.

This practice likewise endangers the customer's securities.

Furthermore, it facilitates short selling, and whilst we do not think that speculation for the fall any more than for the rise should be prohibited altogether, yet devices especially designed to promote either should not be permitted, since the evil in all speculation is the abuse of it by carrying it beyond natural bounds.

(*g*) *Admissions to and removals from list.*—If their charters stated the conditions on which issues of securities shall be admitted to or removed from the trading list and provided that in every case their action in this regard shall be subject to judicial review at the suit of the issuing corporation or any owner of the securities.

This would prevent the use of the valuable privilege of "listing" as a club to coerce holders into selling their securities and otherwise to manipulate the market. It would also prevent the manifest injustice to investors of depriving them of their market and destroying the availability of their security for loans, which existed when they bought.

(*h*) *Books of account.*—If such exchanges required members to keep full and accurate books of account, showing the actual names and transactions of their customers and to give access thereto not only to officers of the exchange but to the appropriate State officers and the Postmaster General.

Such a regulation would facilitate the detection of the objectionable practices sought to be eradicated. It is the only way in which detection can be assured.

Your committee therefore recommends that the use of the instrumentalities under the control of the Federal Government in aid of transactions on stock exchanges be prohibited by act of Congress only where such exchanges refuse to comply with the foregoing conditions.

More specifically, such legislation should prohibit the transmission by the mails or by telegraph or telephone from one State to another of orders to buy or sell or quotations or other information concerning transactions on stock exchanges not complying with the conditions named.

A bill embodying these recommendations accompanies this report.

MINORITY REPORTS.

The above are the recommendations of seven members of the committee, including the chairman. Three members disagree and submit a minority report, in which the following paragraphs deal with stock exchanges and clearinghouse associations:

Evils existing in both stock exchanges and clearing-house associations could be corrected by the exchanges and associations themselves, if they were so inclined. They having failed and neglected to remedy the abuses existing in their conduct and operation, in our opinion it is the duty of each State in which these exchanges or associations are located to compel their incorporation and to regulate their management by appropriate legislation. Should the exchanges and the associations, as well as the various States, neglect this plain and imperative duty, then we believe that it is the duty of Congress to exercise any jurisdiction or power conferred upon the Federal Government by the Constitution to pass such restrictive and regulative legislation as may be necessary. This duty arises from the fact that these evils are not such as affect only the local communities in which they exist, but their results are as broad as the business interests of the country, and affect in their most intimate and important business relations all the people thereof.

While agreeing substantially with the majority upon many of the abuses to be corrected in the financial system, the stock exchanges and the clearing-house associations, the undersigned have doubts as to the wisdom of some of the remedies proposed by the majority to correct these abuses.

One member of the committee, Mr. McMorran, dissents from both the above reports and believes the states should deal directly with stock exchanges within their borders, without federal legislation. Undoubtedly a great many people will heartily agree with him when he says:

While I believe that attention has been called in the course of this investigation to grave deficiencies in our financial laws, I also believe that a sinister light has been thrown over many banking practices which was not justified by the facts, that no effort has been made to show the reasonable and commendable explanation of these practices, and that in many cases an impression has been given to the country as to the character and motives

of leading bankers which is altogether unfair.

COMMENTS.

On the whole, we see nothing in the proposed legislation that is likely to seriously injure the legitimate functions of the stock exchanges. There are some recommendations on which the committee places great weight that seem to us relatively unimportant, and there are some which would cause brokers a good deal of annoyance by increasing their detail work and hedging them around with troublesome limitations. On the other hand, there are some recommendations in the list which seem better than present methods, and really deserving of praise.

Taking up the "Conditions Required to Be Met" in order:

(*a*) *Incorporation.* We very much doubt whether, in actual practice, the State would exercise any more control over an incorporated stock exchange than over one which is not incorporated. On the other hand, the argument that incorporation would interfere with discipline does not impress us. Incorporation has never prevented effective discipline in the Chicago Board of Trade. We see no special advantage in incorporation, but it would do no great harm.

(*b*) *Publicity.* An excellent provision. See no legitimate ground of criticism.

(*c*) *Margin of 20 per cent.* Good, if initial margin is meant. If the 20 per cent. had to be kept good at all times, the provision would work some hardship. In fact, this would partly defeat the apparent object of the recommendation, as customers' stocks would then have to be sold as soon as the margin was reduced to 20 per cent.

(*d*) *Manipulation.* Purpose excellent, but cannot be "effectively enforced," as every one familiar with stock exchange business knows.

(*e*) *Rehypothecation.* Unimportant, and would cause a lot of trouble. The customer trading on margin could not take up his stocks by paying the amount owed on them in case of broker's failure unless the courts were to materially alter their previous rulings on this subject.

(*f*) *Lending customer's securities.* This impresses us as a genuine reform. It would, of course, be unpopular with brokers because of the trouble it would involve and the interest they would lose.

The buyer of stocks has a right to benefit by the effect of his purchases on the price. But if his own stocks are to be loaned to other brokers to serve as a means of assisting short sales, he may lose the immediate effect of his purchases, at least in part.

It will be noted that the Committee does not aim to prevent short selling, but merely to make it impossible for the customer's own stocks to be used against him in the market. Owners of stocks could lend them direct to brokers, if desired; or short sales could be made for delivery in 10, 20, or 30 days, and that without any change in the present rules of the Stock Exchange.

(*g*) *Admissions to and removals from the list.* Unimportant, although the committee seems much exercised over it. Would be likely to result in useless litigation.

(*h*) *Books of account.* Do not see how customers can be prevented from opening accounts under fictitious names, or in the names of friends, relatives, or employees, if they choose to do so. This provision would be very unpleasant for brokers, unpopular with their customers, and we cannot see that it would greatly "facilitate the detection of the objectionable practices sought to be eradicated." It savors too much of the "spy systems" employed by some foreign governments and is opposed to American ideas of individual freedom. Brokers' books are already open to the inspection of the Board of Governors, and it certainly seems to us that further inspections should be avoided, if possible. Inspection by State authorities would be especially objectionable, opening the way to unlimited graft.

It is to be hoped that the committee's recommendations may be thoroughly threshed over before any legislation is enacted, and winnowed of useless or objectionable features. There would then remain several useful and desirable reforms.

The Art of
Interpreting Financial Conditions

By G. C. SELDEN

IV.—Effect of Commodity Prices on Business Failures.

[In the last issue the announcement was made that the present installment of this series would explain a simple and logical method which foreshadows changes in business activity. I have, however, found it necessary to lead up to that method by one more article. The method referred to will be fully explained next month.—G. C. S.]

IN the last article the fact was brought out that what we ordinarily call a business "boom" or a business "depression" is far more a matter of rising or falling *prices* for goods than it is a question of the actual quantities of goods exchanged in trade.

From this it follows that the profits of business men are far more dependent, as a general rule, on the prices they are able to get for their products than on the quantity of those products which can be sold.

This conclusion coincides with experience. There are, it is true, many instances of individual firms or corporations which make a conspicuous success of the plan of "small profits and large sales," but this is an entirely different proposition from the one above laid down. These firms succeed by taking business away from their less progressive competitors, and by the increased business efficiency which results from handling a greater amount of business in a single organization, by being able to buy materials and supplies in large quantities, etc.

When we come to consider the business of the country as a whole, the gains of these conspicuously successful firms are mostly offset by the losses of their competitors. We have to consider the results obtained by the *typical* business man, not those of the exceptionally successful.

If the average business man will review in his mind the results he has actually obtained during the last ten years, he will agree with the statement that his best profits have come in periods of fair activity and rising prices, rather than at times of a growing *volume* of sales with prices stationary.

The business man, therefore, in estimating future results, needs to pay more attention to the general level of prices than to the total volume of trade, for two reasons: First, because the fluctuations of prices are much wider in proportion than are the changes in the volume of trade; and second, because rising prices are generally (though not always) accompanied by increased volume of trade, and falling prices by diminished volume.

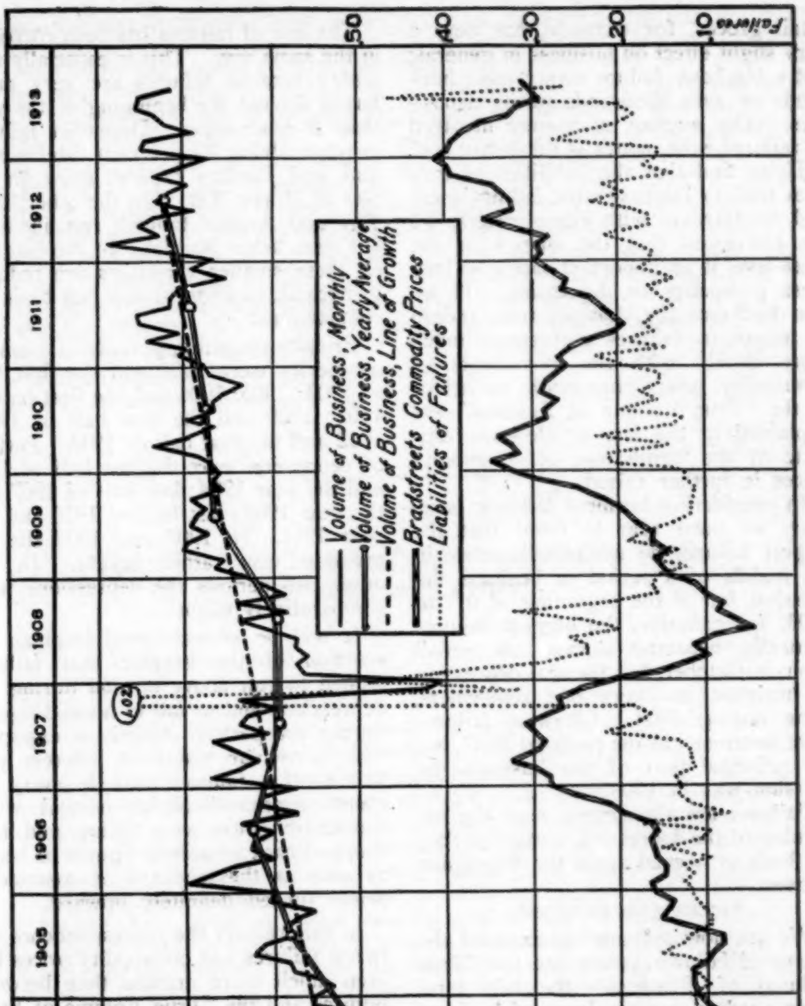
This point requires further demonstration before proceeding. It is the almost universal custom to judge business conditions by bank clearings, imports and exports, or other statistics which include both prices and the volume of business. If prices are the important factor in the combination, that fact needs to be proved in more than one way in order that the mind of the reader may be thoroughly convinced.

BUSINESS FAILURES.

There is one sure test of the profits or losses that business men in general are making, and that is the total liabilities of failures in the United States. These failures extend through all important branches of trade every month. In some months the amounts involved may be very small. At other times they have reached even as high as $100,000,000 in a single month.

It requires no argument to prove that large failures extending through various branches of business show a condition of relative depression, and when failures are trifling in amount the general situation is much more prosperous and the profits of business men, as a rule, larger.

The total liabilities of failures are much more important than the number of failed firms. The failure of a small


Volume of Business, Monthly
Volume of Business, Yearly Average
Volume of Business, Line of Growth
Bradstreets Commodity Prices
Liabilities of Failures
1902
1903
1904
1905
1906
1907
1908
1909
1910
1911
1912
1913
60
55
50
45
Brad-streets
9.50
9.00
8.50
8.00
7.50
Failures
50
40
30
20
10
1.02

retail grocer, for example, has only a very slight effect on business in general; but a big bank failure may cripple hundreds or even thousands of its depositors. The amount of money involved in failures each month is the better test.

If we find that the liabilities of failures tend to increase with falling prices and to decrease with rising prices, we are convinced that the change in the price-level is an important factor in business prosperity or depression. If we also find that the changes from month to month in failures correspond much more closely with the movements of commodity prices than with variations in the "True Volume of Business"—as explained in the last article—our estimate of the significance of commodity prices is further raised.

In considering business failures, however, we must bear in mind that the largest failures do not usually come in the middle of a period of business depression, but at the beginning of it. In 1903, for example, the biggest failures naturally occurred during the small panic in October, but the real depression in business, as every one remembers, came during 1904. Likewise failures were enormous in the panic of 1907, but the principal part of the business depression was in 1908.

Failures are the largest near the beginning of the depression, and when they get back to normal again the depression is over.

PRICES AND FAILURES.

We are now prepared to examine the course of failures, prices and the "True Volume of Business"—the last term being used to mean volume of business measured in quantities (bushels, pounds, tons, etc.), not in dollars.

The upper lines on the diagram represent the "True Volume" as explained thereon, while at the bottom of the graphic appear Bradstreet's Index of Commodity Prices and the total Liabilities of Failures, plotted from the monthly figures.

The "True Volume" lines are corrected to eliminate the merely seasonal deviations, so that any one month may be properly compared with any other month, regardless of the season of the year.

The line of failures has been corrected in the same way. This is especially necessary because failures are very much larger around the beginning of the year than at other times. December failures average about 20 per cent. above normal, and January failures show an excess of 30 per cent. On the other hand, July and August failures run about 15 per cent. below normal. In the diagram all these smaller variations are reduced to normal, so as to give a just basis for comparisons.

Broadly speaking, periods of business prosperity were 1902 and the first half of 1903; 1905, 1906 and the first half of 1907; 1909 and the first half of 1910; 1912 and the first half of 1913. Periods of depression were the last half of 1903 and the year 1904; last half of 1907 and the year 1908; last half of 1910 and the year 1911. In 1907 and 1908 the depression was rather severe. In the other two periods the depressions were comparatively slight.

It will be at once seen from an inspection of the graphic that failures tended to run above normal during the depressions and to fall to normal figures during prosperity. This is as expected. The particular point of interest just here is that failures have in every instance continued above normal while commodity prices were falling, and have dropped back to normal figures or below as soon as the tendency of commodity prices turned definitely upward.

In this respect the correspondence between failures and commodity prices has been much more marked than between failures and the "True Volume of Business." In 1906 and the first half of 1907, for example—a time of great "prosperity," in the sense in which business men use the word, and as evidenced by the small failures—the volume of business really showed a slight declining tendency; but prices were rising rapidly, so everything went merrily on.

In 1908 the volume of business was rising from the panic depression, and even the average for the year was equal to 1907; but commodity prices were falling, and failures continued large until October, when prices had begun to rise again. In 1910 and 1911 the vol-

ume of business increased while commodity prices declined; and failures somewhat above the normal showed that business men were finding it "hard sledding" until commodity prices started upward in the middle of 1911.

It is still rather early to draw conclusions from 1913, but there is certainly a remarkable correspondence between the sharp fall in commodity prices and the great rise in failures so far this year, while the "True Volume of Business" shows no important change down to the time this is written.

It seems clear to me that all the evidence points to the superior importance of the level commodity prices as a measure of business prosperity or depression. I find no other figures or combinations of figures that so exactly and promptly reflect the increases or decreases in the profits of business men. And this, as I have already pointed out, is the logical result of the fact that all business men must carry a stock of goods, in raw or manufactured form.

Having endeavored to establish the correctness of this view of the subject, we will next proceed to show how business conditions are accurately foreshadowed by the combination of this factor with one other important influence.

(To be continued.)

The "Surprise Tests" of the Pennsylvania R. R.

By GEORGE FLATOW.

A CURIOUS piece of legislation was introduced in the New Jersey Legislature a short time ago. The bill provides that in cases where tests of apparatus are to be made, in the operation of trains, the railroad shall give *previous notice in writing* to the engineer! This would be like saying, "Mr. Engineer and Mr. Fireman, keep your eyes on the signals today, for I'm going to watch you." The railroads very naturally protest that the passage of such a bill would jeopardize public safety.

What prompted the introduction of this bill was, perhaps, the so-called system of "surprise tests," of the Pennsylvania Railroad. This consists of setting signals unexpectedly and without warning for the purpose of testing the alertness of men in heeding signals. Last year that road conducted some 51,000 tests. In general, the men gave perfect performances, but out of the 51,000 tests there were 510 failures—one per cent.—everyone of which had in it possibilities of accident. The aim of the railroad is to make the men watchful, in order that the failures—and accident possibilities—may, in the interest of the public and the railroads, be reduced to a minimum.

If the New Jersey bill should be passed, the railroads are afraid that this elementary and reasonable measure of efficiency and public protection, will be destroyed.

BOND DEPARTMENT

The Plain Facts About Speculative Bonds

What the Investor Gets When He Buys This Class of Security

By FREDERICK LOWNHAUPT

A FLOOD of advice has gone broadcast over the country during the past few months telling investors that the time to buy bonds has come. It has been repeatedly shown by tables and charts that prices were low compared with other times and that because of this fact a high income could be secured.

The fact that the larger public has been out of the stock market for a long time and seems more susceptible to investment advice has been the opportunity and the occasion for all this. So definite has been the trend of this kind of advice that some investors may have been led to believe that the bond list from top to bottom is a sheaf of investment opportunities that cannot be neglected. So much has been said on this point that it may easily have been forgotten for the time being that the same old rules apply in buying bonds or other investments now as at any other time.

The time is opportune to call attention to some facts that should not be overlooked by the average bond buyer. There are some definite evidences that the purchasing of bonds is increasing and that the cumulative result of the repetition of the advice to buy is having its effect.

Probably one of the chief considerations that the bond buyer should keep in mind under present conditions is that buying bonds does not always mean investing.

There are plenty of securities by the name of bond that are so highly speculative that they scarcely deserve the name. Yet because they have the legal form of that class of security they go by that name. The investor can go through the lists of bonds for himself and fit the facts to the specific cases as he may please.

Of course we must go to the bottom of the price list for the cheap bonds to indict in this fashion. Or say go to the top of the list and pick out the bonds yielding the very high income. We will find the bonds that come under this heading among those that yield above 6 per cent. income. Possibly we should say 6½ per cent., since there are some excellent utility bonds yielding about 6 per cent or a little more. Returning 6½ per cent. or over, however, they get away from the dignity of sound securities very rapidly.

The inherent danger to the investor is that he may be deluded into the belief that a bond is a bond and that because the security is a bond that it must needs be something with a large degree of security back of it.

As a matter of fact many of these bonds are even poorer than many common stocks, for reasons we shall presently see.

In the first place many of these bonds have a mortgage on the property of the company. We find these bonds among all classes. Many of them are industrial issues. What misleads the average investor is the fact that his

bond is a lien on the property of the company. He seldom stops to think or perhaps is not aware that the real foundation of his security lies in the earning power of the company and that the very low quotation at which he bought his bond reflected in a large measure poor earning power.

Buying bonds at a very high income return means buying a very high degree of risk and that possibly the company is hovering on the brink of insolvency and default in the payment of interest on these bonds most of the time. A little examination of the income figures of such a company will show that the margin of safety is *nil* and that the concern has about all it can do to meet its interest charges every six months.

Buying this kind of a bond often means that the investor is taking more actual risk that if he had bought a stock paying the same rate of return. There are stocks on which the dividend return is no greater than on these poor and highly speculative bonds yet on comparison they are much better investments.

Here is one good reason why they are: The concern whose bonds are selling at such a discount as to bring the rate of income far above normal has a hard time earning its interest. Possibly it has to stint in the upkeep of the property to make ends meet. On the other hand the company which has a common stock yielding that same amount of dividend is often in a strong position and can well afford to pay the dividend. This means that it can pay its interest charges and dividends easily and still have a margin left over. Financial health is the condition of the latter concern while the former is weak and anaemic.

The question then is how the bond of the company that can just scrape through its interest stands in comparison with the common stock of the vigorous concern which can meet its charges, take care of itself out of its income, give something to the stockholders and still have something left over.

From the bare statement of these conditions it will be seen that if the purchase of such a stock be regarded in any way as speculating the holding of such a bond is much more so.

There are still other facts that the investor who is tempted to go into this class of bonds must not forget. The bond of this class has a rather precarious market standing. At the least sign of trouble in the company it goes slumping downward not an eighth of a point at a time but sometimes, in the case of inactive bonds, two, three, or five points at a time. If it is a very active issue possibly it can be sold on fractional recessions. Anything that affects the company adversely will be sure to show itself in the market position of the bonds.

It should be remembered that the strength of the lien the bonds have on the property of the company amounts to nothing to save them in market quotations when trouble comes. In a highly speculative security of this character the question of what lien it has is far separated from the matter of earnings. A strong lien gives it a good position in any readjustment of the company's finances but that is about all it can do.

Witness the case of a certain first mortgage railroad bond that only a year ago sold around 96 and six months later was selling around 40. The fact that it was a first mortgage gave the bankers that marketed it a reason for asking a high price, but that fact did not even act as a brake in the slide down hill that followed. The bondholders will get the property; but what of that when it can earn but a small part of its interest charges under the old capitalization?

Or take again the case of an industrial that a few months ago had to confess that it could not earn its preferred dividend. Its bonds are really the only funded debt of importance it has and are a prior lien on the assets of the company. But did that save them from dropping 20 points when the earnings statement was fully comprehended? Not at all.

Let the investor further remember that when this class of bond gets into trouble it is generally in there a long time and usually comes out badly hurt.

One Hundred Dollar Bonds

By GARDINER S. DRESSER*

THOSE who only admit that the $100 bond will be the unit of investment in some dim future that is not worth bothering about now, are likely to be surprised by the developments of the next few years.

The list of $100 bonds now available to the investor includes issues of some 20 railroads, and some of the largest industrial companies, besides national and municipal bonds and bonds of the public utility companies. Among the railroads are the Burlington, St. Paul, Rock Island, Colorado & Southern, M., K. & T., New Haven, Southern Pacific, Virginian Railway, and Western Pacific. Among the industrials are the Central Leather, General Electric, International Agricultural Corporation, International Steam Pump, Liggett & Myers, P. Lorillard, and New York Air Brake. Certificates representing the American Telephone & Telegraph Collateral Trust 4's of 1929 are among the most popular municipal issues.

As a Wall Street periodical puts it, "The $100 bond, though a 'baby,' is able to walk now and talk to investors."

The $100 bond talks well.

It buttonholes you who have $100 now and expect to have additional sums of $100 at certain intervals in the future. It asks you why you don't invest at once instead of waiting until you have $1,000 saved.

You can buy a bond every time you get $100 and begin to draw interest at once. If you deposit your money in a savings bank pending investment, you will not begin to draw interest until the next quarterly interest date—January, April, July and October 1—and then at a lower rate than you will receive on the bond.

It buttonholes you who have, say, $600 which you wish to invest immediately. That $600 of yours will not buy a $1,000 bond—but it will buy 6 $100 bonds.

It buttonholes you who have $1,000. You may intend to invest it in one of the bonds legal for savings banks, receiving all instead of a part of the income. You are not, however, securing the same safety as the savings bank enjoys. The savings bank diversifies its holdings, taking bonds of a number of different issues, so that a possible loss on one issue will not wreck the entire investment, so that the possible loss on one may be counterbalanced by the gain on another. The $1,000 bond you buy may not be the wisest choice. But you may buy 10 $100 bonds and diversify the $1,000 investment. Through $100 bonds, you may protect yourself as all large investors protect themselves.

All, of course, may not have, immediately available for the purposes of investment, $100 or thereabouts. But if you have $10 on hand, and can put aside $5 a month, you may have a $100 bond bought for you now, to be paid for as you save the balance. The Partial Payment Plan has an additional advantage. Like an insurance policy, and unlike a savings bank account, the Partial Payment Plan compels saving.

When you buy bonds on the Partial Payment Plan, you pay interest on the amount advanced you. You pay at the rate of 6% per annum. Nevertheless, though you may have bought a bond that pays you only 5% or 4% per annum, you are not losing 1% or 2% a year on your money. Quite the reverse. You are receiving interest at 5% or 4% on par ($100) which does not change. You are paying interest at 6% on an amount which does change, which is constantly reduced by your monthly payments. When your indebtedness on a 5% $100 bond is reduced to $80, and below, you are receiving more interest than you pay. When your indebtedness on a 4% $100 bond is reduced to 60 and below, you are receiving more interest than you pay.

On a $100 Virginian Railway 1st 5% bond bought at 99 on November 1, you

*Extract from lecture at Finance Forum.

will receive in coupons and accrued interest a total of $7.92 during the time you are paying for the bond. You will pay interest totalling $4.62, and therefore gain the net amount of $3.30. This figures an annual rate of 3.79% on the average amount on deposit. Subsequently, you will receive the full interest of 5%. Your investment return on a 4% bond bought at 91 is 2.79% while you are paying for it.

On similar deposits made at the same periods in a savings bank allowing 4% interest you will receive only $2.50 instead of $3.30 on the 5% bond. This figures an annual rate of only 3.17%, instead of 3.79% on the bond. The reduction from 4% to 3.17% on the savings bank account is caused by the fact that interest is allowed only between certain dates and deposits made and withdrawn before certain dates do not receive interest.

A $100 bond earns you interest every day you own it.

Establish yourself as a savings bank. Invest your own deposits and pay yourself both interest and dividends.

Bond Market Topics

Next Year's Bond Market.—The average price of a group of standard bonds shows that the advance in bond prices has been pretty well maintained since the early part of June. Of course there have been some short reactions, but the trend has been distinctly upward. The period that has elapsed since bonds began their upward movement in prices has been long enough to justify the belief that for a time in the future the movement will be forward with only slight setbacks.

It seems now that the talk of panic has died out almost completely. Only a few months ago there were a number of calamity howlers who were predicting dire conditions in the financial world. Their pessimism found its way into the news columns and market opinions with the natural result that a large number of investors became frightened. The first thing they did, of course, was to tighten up their purse strings. This was felt severely in investment markets.

This condition of affairs created a potential demand for investments that seems now to be awakening from its sleep. Just when it will come to full power is a matter of opinion. Some think within three months. Others say not for a year. At any rate the best judges of the money market, which is the governor of investment conditions, are practically agreed that 1914 will see something satisfactory in the way of investment conditions.

Hesitation does not disappear from a large body of investors over night. It will doubtless take a few months to wear off the effects of sentimental considerations that are now hanging over the markets. This would augur well for next year. Furthermore there are being completed some large works that have absorbed immense amounts of capital, such as the Panama Canal and others.

Short Term Paper Having a Fling.—Some of the bond men wonder why the short term paper market has been so good for the past few weeks. They are reasoning about like this:

A turn in the bond market has undoubtedly come, as shown by the slow but steady rise that is being worked out in the average price of bonds. Furthermore, money conditions are not nearly so doubtful as they were a few months ago when everyone knew the situation presented some bad spots and only a few realized how bad they were. Moreover, they reason that sentiment among investors is improving and much of the hesitation that existed among buyers has disappeared.

Why, then, the question is asked, should not bonds be the prevailing type of purchase in the investment markets, since the conditions which make for a strong note market have been so far eliminated?

The trouble is that they have magnified the improvement. The truth is that even the shrewder class of investors are not yet sure of themselves. Hence there still remains a very good demand for the short term notes that will mature a few months later when, by common consent, we are likely to see the good money conditions which will furnish the basis for a much larger bond market.

Restocking Bankers' Shelves.—The sign of better times in the investment markets is the sign for investment bankers to look to their inventories. At these times they are between the horns of a dilemma. On the one hand they have only faint glimpses of the better business they hope for constantly. They must guess as to when it will materialize in force. On the other hand

they have the possibility of coming into the procession late and losing some good things for lack of enough initiative.

It requires, therefore, the highest type of investment wisdom and observation to know just how far to go ahead in such times as these. If the banker lags too far behind, fearful that he cannot dispose of any round blocks of new securities, he is apt to lose some good things. If he rushes ahead with great confidence he is likely to have a shelf full of securities that can be distributed very slowly, a situation which prevents him from being foot-loose.

At the moment the rank and file are not certain of their ground, and yet many are going into new things freely. Bankers are supposed to have far greater discernment than investors, yet at times they make great mistakes in taking on large blocks of securities. How far the stocking up at this time will go depends upon the strength of investment demand. Substantial amounts have already been taken, but it is not likely that the bond houses will plunge headlong into a buying campaign until the weather signs are far more clear.

What Does the Barometer of New Financing Say?—If the amount of new financing done during the month of September were accepted as an index to the state of the investment markets, there would be little room for doubt that something more than a patch of blue sky is showing. Careful observers of the market conditions at the end of August were strongly inclined to the belief that the following month would show a marked enlargement of the total of new securities issued. Their predictions were verified. September continued the movement begun early in August, and October gives evidence that there will be no change in the trend.

Just how far September went ahead of former figures may be seen from a comparison with the total of the same month in 1912. September, 1912, showed a total around $85,000,000, whereas this year the total was over $187,000,000, in increase of some $102,000,000 or more. Obviously a very different set of conditions prevailed this year to stimulate such an amount of new securities. The total for September also made a big leap over August figures, which seemed to mark the bottom of the decline in output.

In September a special feature stood out. A great quantity of equipment notes were marketed. This made good business in the short term market and besides gave some promise of what the railroads may be expected to do in the way of buying new equipment in the near future.

Hints for Investors

DO not be carried away by the persuasions of bond salesmen who say they have seen the property under consideration and therefore know the securities are an excellent purchase. The hospitality of the occasion works upon the optimism of many of these salesmen and their reports are sometimes glowing with a warmth that is not justified by the facts. "Seeing is believing" is a maxim that does not fully cover these cases.

DON'T be too sore on the salesman of a security issuing house if he has sold you some investments that have come far short of expectations. He must necessarily take the word of those "higher up" and not always being a man trained in the intricacies of an investment proposition, he goes astray purely upon the information furnished him.

DON'T put your entire confidence in a security because it is offered by a friend, even if he is representing a substantial house. Wherever possible make it the subject of investigation regardless of your belief in your friend's judgment. Friendship is seldom a good basis on which to buy securities unhesitatingly.

THERE are so many avenues through which you may get free advice on securities these days that it is not a bad idea to write three or four of them and compare their opinions. It does no harm and costs nothing but postage stamps and a little effort and is interesting.

INVESTMENT DEPARTMENT

INVESTMENT: The placing of capital in a more or less permanent way, mainly for the income to be derived therefrom

The Best Kind of a Stock

Which Is It That Offers the Greatest Advantages Over Other Kinds?

By RICHARD D. WYCKOFF

YOU are about to become a partner in a large business enterprise. Perhaps you do not know it, but it is true just the same. I can tell it by the way you scan the financial column of your daily newspaper and the eagerness with which you ask about a number of different stocks.

This partnership is not a gift, but you have earned it by accumulating enough money to purchase your interest. There may be twenty to thirty thousand other partners, but you are not concerned with them because you will never know them. You and they are content to leave the actual management of the enterprise to a comparatively few men, highly experienced in that line, and you will all abide by the results. But if at any time you don't like the partnership you are free to sell at a profit or loss as the case may be.

So long as you are free from such partnerships, although possessed of the purchase money, you are in a position to pick and choose. There is no hurry unless you think prices will advance rapidly and at once. Therefore take plenty of time. Consider everything. Make sure that you get exactly the kind of partnership you want and that the men into whose hands you entrust your interests are worthy and competent.

First of all, what *kind* of a business is best—railroad? If so, would you choose a large system or a small one; a coal road, a granger, a newly organized or an old established property?

Or would you go into the industrial field? There you have a great variety to choose from:

Steel	Rubber
Oil	Auto tires
Electrical	Steamship
Chemical	Biscuit
Can	Department Stores
Railroad Equipment	10c. Stores
Smelting	Lead
Telephone	Mail Order
Wool	Fruit
Paper	Locomotive
Leather	Building
Gas	Street Railway
Match	Enameling
Automobile	Coal
Power	Pump
Glucose	Typewriter
Express	Cigar Stores

If you wish to go outside the Stock Exchange there are many other lines of business in which you may engage; but these are the principal classifications into which large corporations are divided.

Why should you go into large enterprises instead of small ones in the same line? Because the biggest and best brains in the country are engaged in running them. A small concern, with limited capital cannot employ as able a class of men. Besides, bigness usually means power and influence, as well as organization and generalship.

To illustrate the point: A tailor, having learned his trade, hangs out his own shingle. He does all his own work so

well that he holds his trade and continually adds to it. Soon he takes on an assistant, then another and another Then he employs a high class cutter, and his business booms. He opens branch stores, then starts an advertising and mail order department. In a few years he is making twenty or thirty thousand suits a year and clearing five dollars a suit.

Continually expanding, he finally absorbs the whole output of certain mills and employs the highest priced experts in the business, clearing half a million dollars a year. He can make better suits at less cost than when he started, because he has acquired experience, reputation, large purchasing power and can command the service of many other hands and brains. If, therefore, you acquire even a small interest in his business at this stage you have all these expert cutters, designers, salesmen, etc., working for you and are benefitted by the company's partial domination of the industry.

Buying a partnership—whether it be a few shares or a half interest—is a very important step, although few who purchase recognize it as such. If there are advantages in any one business over others, you should know it and act accordingly. If there are half a dozen best you would do well to put your money into these instead of the others.

I do not know that anyone has ever looked into this particular subject in just this way, and so I propose, in the present series, to examine the principal industries represented on the Stock Exchange with a view of determining, as well as a layman can, the influences bearing upon them from the standpoint of the prospective partner.

There is a double reason why the present is an appropriate time for such an investigation. (1) The tariff will undoubtedly produce marked changes in the earning power of certain corporations. (2) The business world is undergoing a change in methods of manufacturing and distribution which cannot fail to be of great consequence in the future.

There is always the fundamental fact that every industry is either moving toward new heights or is gradually slipping down toward obscurity. Take the oil business, which is only a development of the past few decades. It is now at its height. On the other hand, who ever hears of the cordage business nowadays? Twenty years ago National Cordage was first in the public eye.

In brief, the business world, like every other part of this earth itself, is being made over every day, and we should benefit by studying conditions affecting the various industries, so that we may form definite and accurate opinions of their future.

RAILROAD STOCKS.

THE business of a railroad company is to manufacture and sell transportation.

Its margin of profit depends upon operating expenses, taxes, fixed charges, etc., on the one hand, and on the other, rates charged and volume of traffic carried.

To finance its construction and improvements, a railroad must borrow money. Only one large railroad—the Lackawanna—has succeeded in wiping out its bonded debt. Others borrow continuously and enormously, hoping that new traffic and lower costs will more than offset steadily increasing interest charges.

A business man who never reduces his obligations will sooner or later come to grief. And with very few exceptions this has been the history of American railroads. Scarcely one has avoided bankruptcy at some time in its career.

Twenty years ago the Atchison, B. & O., Erie, Northern Pacific, Norfolk & Western, Reading, and Southern Railway were among the properties which were placed in the hands of the courts, and their mortgages foreclosed.

In order to restore the equilib. ium between receipts and expenditures, bondholders were forced to surrender a part of their rights. Stockholders in many cases lost everything.

All this happened because ·xpenses gradually swallowed income so that nothing remained for either creditors or partners.

Are we not approaching a similar situation today?

No matter what the causes of former receiv.rships—over-capitalization, waste-

ful operation, lack of maintenance, rate wars, competition—the burning question always is, income vs. outgo, and upon the solution of that question depends the preservation of solvency.

Here are some of the factors which are pushing the expense totals up toward the danger point:

The incessant demands of labor.

The drain of labor legislation.

The steady increase in taxes.

Public demand for steel cars, safety appliances, grade crossings, etc.

Increased cost and difficulty in obtaining capital.

In a country like this, with population increasing and traffic naturally expanding, the roads might find a way out, were it not for the influences working against the other side of the profit and loss account, viz.:

Supreme Court decisions are tearing down former railway combinations, originally designed to maintain rates.

The Interstate Commerce Commission stands in the way of higher rates.

State railway commissions add to the burden of operating and the difficulty of raising capital.

Forced reduction of express rates, of which the railroads collect one-half.

Laws in many states have fixed the maximum rates which shall be charged.

Activity of state legislatures. Nearly 1,400 anti-railroad bills passed during 1913.

Mail matter, tremendously enlarged since the Parcels Post began, is carried at a constantly increasing loss, as rates are fixed only once in four years, and no allowance is made for increased mail carried meanwhile.

With these and other difficulties surrounding railroad operation, is it surprising that receiverships punctuate modern railroad history? That gilt-edged stocks of former years have become speculative issues? That records for long continued and high rate dividends have been smashed? That investors are becoming shy of railroad securities?

As Interstate Commerce Commissioner Prouty admitted, "We can provide by legislation the sort of cars which a railroad shall use and the rates which it shall impose; we cannot by legislation force one single dollar of private capital into railroad investment against its will. If we are to look in the future as in the past to private capital for the providing of our railroad transportation, it is fundamentally necessary that confidence in the fair treatment of that capital shall be established."

What happens to an enterprise which is always in the market for funds, when these funds are refused? The business is placed in the hands of a receiver.

The business of railroading is today suffering from a degree of discredit which has not been its lot in two decades. Admitting that certain roads are in a more or less impregnable position, there are many weaker properties such as the Chicago & Alton, Toledo, St. Louis & Western, Chicago Great Western,, Denver & Rio Grande, Iowa Central, Rock Island and others, which are hanging by their fingers, ready to drop.

And there are properties of high standing and unquestioned credit which, if the present tendency continues, will be once more found among the reduced dividend, speculative class.

It is not necessary for me to go into details. Everyone who reads the papers is familiar with the present situation, but few have considered the probable outcome.

The natural consequence of the situation is receivership for all but the strongest properties, and reduced dividends for many of those. Mind you, I do not say this will come; I do say that it is the to-be-expected effect of present causes.

From what direction may relief come?

Temporary relief may come from a grudging rate increase, control of the labor question by the Arbitration Board, or from some unexpected quarter. Permanent relief seems possible only when the American people are touched in their tenderest spot—their pocketbooks.

It will take a national calamity to change the tide once more in favor of the railroads, perhaps a two or three year business depression. For the lesson of the empty dinner pail and the cry of wounded investors are needed to force fair treatment.

Meanwhile I have no hesitation in saying that of all the great groups of securities, railroad stocks as a class are not the most desirable.

(*To be continued.*)

Low Priced Stocks for the Small Investor

By OLIVER CARROLL

THERE are two fundamental reasons why people buy stocks, namely, to gain a profit in the appreciation of the price when the stocks rise, either through some particular merit of the securities or through a general lift in the market, or to get the income from the stocks in the nature of an investment. There are times when both these reasons can be combined, thus making the purchase all the better.

It is time to ask whether such a situation exists now. The general market has had a long decline, followed by a relatively small upward movement. A decline of some 25 points in the average price of a representative group of stocks puts many of them on a level which approaches the bargain counter.

The dividend-paying stocks are therefore attractive for two reasons—one, the income yield on them is more remunerative than for some time, and, two, the whole market must advance sooner or later and with it these securities. For the investor who buys stocks and must have immediate income, these of the better class will give a handsome return. But he must pay rather high prices. This means few shares or much money. Stocks like Pennsylvania among the railroads and Steel preferred and General Electric among the industrials require considerable capital for only a moderate number of shares.

Furthermore, the rise in price of such stocks is generally small in comparison with what happens in securities of a different type. An appreciation of ten points in a stock like Pennsylvania is considerable. It would be expecting too much to see a stock selling on an investment basis double in market price. Only extraordinary conditions could bring about such an enormous appreciation. Although such stocks do sometimes appreciate more than 10 per cent. in a strong market, the percentage of advance is comparatively small. The average advance of a group of six such stocks would be even smaller than the advance in individual cases.

In the non-dividend paying shares there is the opportunity for a larger enhancement of principal. Their appreciation may be predicated on the general advance of all stocks in a rising market or on intrinsic value as indicated by the growth and development of each particular corporation, or on both. Whatever betterment comes about in the way of larger earnings, improvement of property, profitable business arrangements or alliances, or more efficient management, is reflected more in the common stocks without dividends than in the older seasoned securities of the corporation.

Because of the low prices of such stocks after a serious market decline like that of the past year everything favorable inside the corporation plus the uplift in the market makes these securities potential with handsome profits. The question of dividends of course is no factor, since in no case taken up is there anything but remote possibility of a distribution on the common stock for a long time to come.

All that can be said for such stocks is that the company is earning sufficient to show perhaps a small per cent. on the common stock. This is of sentimental value in the market appraisal of these stocks, but has no practical side to it. On the hope of dividend disbursements alone these low-priced common stocks would stand for long periods at their low market quotations. But as we have noted when the tide in the market is setting strongly in either direction all these stocks go along with it.

For this reason they offer a favorable opportunity to increase a small capital. The facts about these stocks at present levels that commend them

to the long-pull purchaser may be briefly summarized as follows:

(1) They move strongly with the tide of securities.

(2) They feel strongly the beneficial effects of favorable events or bettering conditions in the corporation.

(3) In a good company they represent a growing equity.

(4) They have a ready market and may be sold at any time.

(5) They fluctuate slowly in quotation; no more rapidly than the general market.

(6) They enhance in price when the market moves upward to a much larger percentage than do high-priced stocks.

A selection of six such stocks shows what the changes in price were over the past six years and gives an idea of what might have been accomplished by an investor who bought these securities at low prices. These six stocks—namely, Erie, Kansas City Southern, Missouri, Kansas & Texas, Southern Railway, St. Louis Southwestern and Ontario & Western—are taken as representative of the class and are among those which conform closest to the statements already made. Ontario & Western is perhaps somewhat less desirable for this purpose than the other five stocks.

At present prices these stocks begin to be cheap, not because they are selling at low prices, but because of the appreciation that may be reasonably expected ultimately. It will be noted from the table given below that the average price of the group is about eight points above the low level of 1907, which was established under the most adverse conditions.

Since then all these companies have had some six years of development in which some advanced very materially. It is therefore not to be expected that these stocks would recede to the panic level except under somewhat similar conditions. It will be noticed further that they are practically 18 points under the high level of 1909. In other words, they have fallen something like two-thirds of the way down from the high prices of 1909 to the low prices of the panic year.

The movements of the average for the six stocks were as follows:

Low, 1907 to high, 1909	27⅜	points
High, 1909, to Low, 1910	20	"
Low, 1910, to High, 1911	14	"
High, 1911, to Low, 1911	9¼	"
Low, 1911, to High, 1912	8¼	"
High, 1912, to Low, 1913	14¼	"
Low, 1913 to Present	11⅞	"

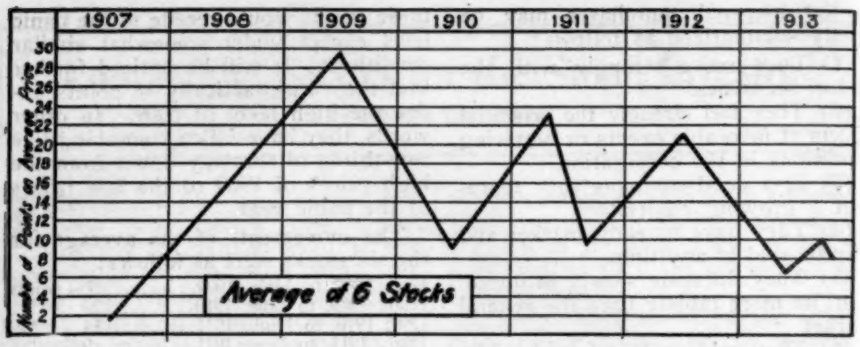
The present average is 20½ points below the high of 1909. The accompanying chart shows the movement of the average price of the six stocks above, giving the high and low points of the principal movements beginning with the panic level in 1907.

As an illustration of what might have been done by purchasing these stocks at the low prices of 1907 it will be noticed that one share each of the group would have cost in the aggregate exactly $100, and that this $100 initial investment could have been brought up to something like $650 at present. This assumes, of course, that the stocks were bought at the very lowest prices of the declines and sold at the very highest prices of the advances.

We cannot take that ground, however, since it is humanly impossible to do this. No amount of sagacity or experience will show the investor exactly when the extreme prices are reached. For this reason we must take from our accrued profits a reasonable amount. This amount we should say would be at least a third of the profits shown on a perfect result. In this case a perfect result would show profits of about $550 on an investment of $100, pur-

Price Movements of Six Low-Priced Stocks.

	Low 1907.	High 1909.	Low 1910.	High 1911.	Low 1911.	High 1912.	Low 1913.	Oct. 15, 1913.
Erie	12¼	39	19½	38⅜	27¼	39½	20¼	26½
K. C. S.	18	50¼	23	37⅜	25¼	31½	21⅜	24
M. K. T.	20¾	50½	27	38⅛	27	31⅝	18⅛	19¾
Sou. Ry.	10	34	18	33⅜	24¾	32	19⅝	21
St. L. S. W.	11	35⅜	18½	34	24	40⅜	26	23⅜
Ont. & W.	28	55⅝	28½	46⅞	37¾	41⅜	25⅛	27¼



chases having been made four times, namely, 1907, 1910, 1911 and again in June of 1913, and sales three times, namely, 1909, 1911 and 1912.

One-third of $550 is $183 plus. Deducting this amount we therefore have a profit of $367 on the original $100 invested the first time in 1907. But if the investor did not accumulate 367 per cent. profit on his investment up to the selling point in 1912 and with a little additional profit on the purchase again in June, 1913, he could at least have made $300 or even $250, which is obviously an enormous increment. Multiplying this by ten, it will be seen what an investor might have accomplished with $1,000 in the panic of 1907 and subsequent market movements. It is simple arithmetic to show that savings bank interest at 4 per cent would have been about $30 over the six years.

Earnings and Dividends

The Position of Standard Stocks Viewed in Perspective

By GEORGE C. MOON

PUBLIC sentiment is greatly concerned just now over the possible effect of the new Tariff Law on a number of our industrial corporations. Many are inclined to view the future operation of the new tariff with grave apprehension and are fearful of disaster.

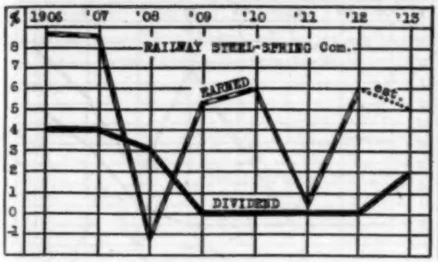
On the other hand, close students of the situation believe we shall enter upon a new industrial era in which our industries will be placed upon a more secure footing than ever before. The new order of things will call for the display of greater business conservatism than was necessary under high protection, and hence forces will be put in motion that will bring the industrial situation under more perfect control than formerly.

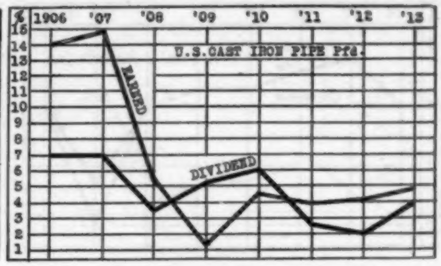
It is obvious that those charged with the administration of the affairs of the great corporations that gossips have relegated to the scrap heap, do not appear to be greatly worried over the future. Probably there is less real occasion for alarm than is generally supposed.

The following continues the discussion of the relative position of earnings and dividends of different stocks as brought out by graphic illustrations. In cases where the new schedules of duties may affect a security, specific reference to that fact will be made:

RAILWAY STEEL SPRING.

LIKE other corporations in the equipment group, the business results of the Railway Steel Spring Company are affected by the general railroad situation.





The wide fluctuations in earnings, which are displayed by the graphic, demonstrate this and show their instability clearly. Since the panic year the company has experienced very unprofitable periods and on no subsequent occasion did it rise to its old time form.

Last year the earnings were rather better and it is expected that the present fiscal year will prove to be almost as satisfactory—but still there are so many uncertainties associated with the business that an unfavorable showing is always dreaded. The company has some advantages in its repair department, which furnish revenue when more important new car construction is on alow scale. Its real prosperity, however, is encountered when the roads are ordering new equipment freely, but money conditions in the recent past have forced our roads to exercise economy in that direction.

In the matter of dividends on the common stock the stockholders have been as generously treated as circumstances would permit. There are good prospects of the 2 per cent. which was declared last year being repeated next December. Beyond that a prediction would be hazardous.

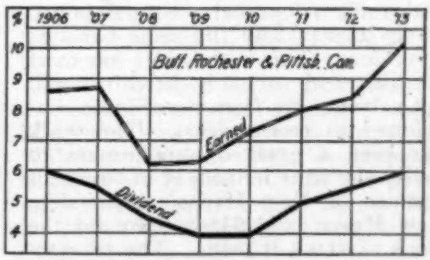
U. S. CAST IRON PIPE.

CAST Iron Pipe preferred does not occupy a very strong position. The graphic tells a story of a paucity of earnings in each year plotted, excepting 1906-7. Ever since earnings have been small and out of proportion to the dividend rate. In 1908 dividends were declared out of surplus, but payment was enjoined, but the courts upheld the directors' action in 1909.

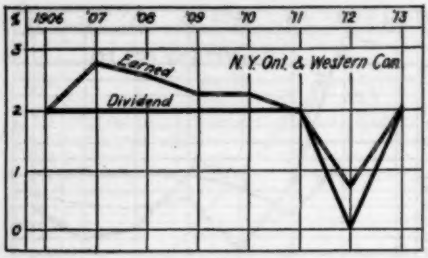
The company has met serious competition from cement pipe construction on public works, etc., which has come into general use in recent years. The outlook is not particularly inviting and there is no apparent reason for anything more hopeful than a continuance of the present mediocre condition of things.

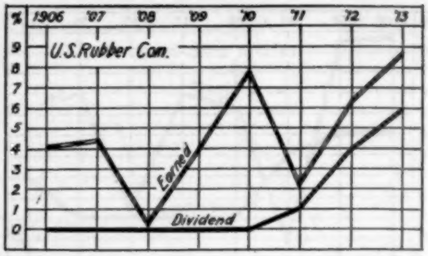
BUFFALO, ROCHESTER & PITTSBURG.

A PECULIARITY of the capital stock issues of the Buffalo, Rochester & Pittsburg Railway is that after 6 per cent. shall be paid on both the preferred and common for any calendar year, further dividends shall be for the equal benefit of both stocks. The holders of the common stock have no special reason to complain, as dividend distributions during the last thirteen years were made without interruption, although at varying rates.



The graphic shows a fair margin beyond dividends was earned in each year for the period covered. In the last four years net earnings expanded and apparently justified the increase in common dividend rate which was made in the latter part of 1912. Both classes of the capital stock are closely held, and consequently they are among the inactive listed issues. From all that can be foreseen now there appears to be no likelihood of any change in the general status of the stock as a conservative investment.





N. Y. ONTARIO & WESTERN.

THE graphic of Ontario & Western shows an absence of adequate margin over dividends in any of the years plotted. The net barely sufficed to pay the 2 per cent. which were initiated in 1905—one year after the New Haven secured control of the property. In 1912 dividends were temporarily suspended following the refusal of the Public Service Commission of New York to consent to a transfer of control to the New York Central Railroad Company—but were resumed in the following year. Much early improvement cannot be looked for. The company has affiliations that are helpful, but future developments are not likely to bring about any material change in the situation of affairs. Earnings from coal traffic will probably be maintained along substantially the same basis as heretofore. This is the chief source of revenue, and probably hereafter will not vary greatly from the volume contributed in recent years. The stock has been a great disappointment to those who were influenced in buying it because of New Haven's ownership. New Haven paid $45 a share for the block of stock it owns. The transaction has not proven a particularly good investment in either a transportation or strictly investment sense. The outlook is not cheering, but if the New York Central should eventually acquire control, it would help matters somewhat.

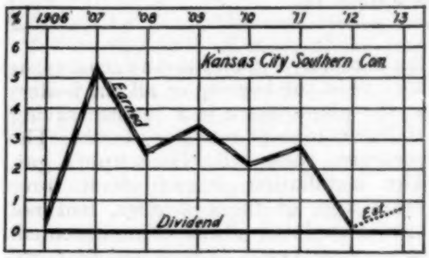
UNITED STATES RUBBER.

AS one of the industrials that is supposed to have profited in the past by the protective tariff on the product it manufactured, United States Rubber is now believed by some to be in line for a reversal of its old form. The graphic shows that earnings on the common issue varried considerably up to 1912, when a greater stability seems to have set in. Earnings for 1912 and also for the fiscal year to March 31, 1913, were quite favorable, and it is estimated that the current fiscal year will close with still better results. Net earnings, however, must in future be calculated on an increased amount of both common and preferred, which will make a comparison with former years a little difficult.

At the present time there is $36,000,000 of common outstanding, with about $57,500,000 of 8 per cent. first preferred, and $29,000,000 of bonds and debentures ahead of it. This represents a heavy fixed charge to be met before common can participate in the net results. It is, however, certain that the company is better equipped now than ever before in the direction of operating efficiency. It has acquired vast plantations abroad and is otherwise fortified with control of its necessary raw materials. Its manufacturing plants are also capable of producing in larger volume and at lower costs than formerly. New processes of manufacture and the inauguration of economies which it is understood are feasible will go a long way to offset the effect of lower duties.

The natural increase in consumption that follows a lowering of prices may also prove a factor of importance. Last year the sales aggregated nearly $92,000,000. It would seem only reasonable to suppose that in a volume of business of that magnitude it would be possible to adjust methods to meet the exigencies of the new order of things. The company has never given much specific details in its official reports. Results have been summarized

in a general way and therefore there is no adequate data available upon which to base conclusions respecting the future.

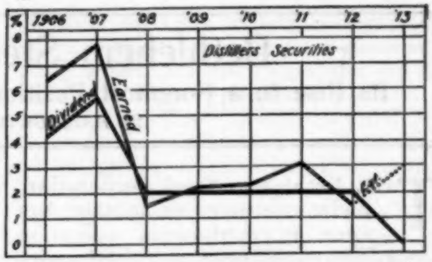


KANSAS CITY SOUTHERN.

KANSAS CITY SOUTHERN common has never paid a dividend. Since the present company was incorporated in 1900 earnings have never reached a point where the common stock could expect that dividends would be forthcoming. The preferred stock has been more or less of a favorite among investors who look far ahead and believe in the stability of the 4 per cent. which has been paid on that issue since 1907. The road serves a good territory and should benefit from the traffic which the opening of the Panama Canal is expected to originate. The outlook for improvement is good, and unquestionably a better showing will be made in the amount earned on the common stock. It is possible this progress may be disappointingly slow in getting to a point where the market position of the shares will reflect the change. But it will take time for these expectations to be realized.

DISTILLERS SECURITIES COMPANY.

THE graphic of Distillers shows that a high record of net earnings was made in 1907. Before that time the company had passed through five years of varying fortune, but on the whole, results were decidedly better in each one of them than has been true in any year since. The stock was put on a 4 per cent. dividend basis in 1903 and advanced to 5¼ per cent. in 1907 under the better showing then made. But in 1908 conditions had changed front so radically that 2 per cent. was the amount of the distribution that year.



The set-back which immediately succeeded the high record year of 1907 has continued up to the present time, as the line of earnings indicate. It had been expected that the company's interest in the United States Industrial Alcohol Company, which had been formed in 1906 to manufacture denatured alcohol, would prove a source of large revenue for Distillers, but these hopes are still to be realized.

Recent changes in the personnel of the management of Distillers may bring about a change in the character of the competition which the company has had to contend with in the past. It is evident some radical change for the better must be experienced before the public can regard the stock otherwise than with suspicion. It has been a "bad actor" in the past and there is always a dread of history repeating itself in the case in question.

Bethlehem Steel Corporation

Its Rise to a Foremost Position Among the Steel Companies

By HALIBURTON FALES, JR.

THE Bethlehem Steel Corporation, under one name or another, has been in continuous operation since 1857. Incorporated in 1904 under the laws of New Jersey, as a reorganization of the United States Shipbuilding Company, it struggled along for a year or two, carrying a load of small and useless subsidiaries. Gradually these were sold. When the company was organized in 1904 it intended to specialize in armor plate. At the suggestion of the government, $5,000,000 was spent by the company to increase its armor plate capacity. Instead of receiving orders for 12,000 tons a year of armor plate, as was anticipated, the government's requirements amounted to but 3,000 tons.

Following the lead of its guiding genius, Mr. Schwab, the corporation thereupon decided to enlarge and differentiate its capacity by the sale of $10,000,000 of 5 per cent. first mortgage bonds, and $7,500,000 five-year notes, for the purpose of erecting a model plant for the production of pig iron, blooms, structural steel rails, etc. This, together with subsequent additions in mills and furnaces, has made the company's plants at Bethlehem, The Bethlehem Steel Company, the largest individual steel plant of its kind in the world, employing between 20,000 and 25,000 men.

Here every scientific aid to making every form of high grade and special form of steel in armament and ordnance work has been employed. Costs, too, have been reduced to a minimum by the introduction of labor-saving devices and the utilization of by-products. Thus, through the formation of the Lehigh Coke Company, and by contracts of twenty years with the Davis Coal & Coke Company, the company is enabled to secure its coke at a saving in cost of about 30 per cent. As the gas produced in the manufacture of coke is utilized in the operation of the company's open hearth furnaces, as well as in the heating of all the boilers at the plant, there is a further saving of 70,000 tons of coal per month. The company then sells its surplus gas. The installation, begun about three years ago, of these devices, had not been completed at the commencement of the past year. It is stated that had they been completed, the earnings of the company for the common stock would have been greater in 1912 by 3½ per cent.

Besides owning the Bethlehem Steel Products Company and the Philadelphia, Bethlehem, and New England Railroad Company, a road some thirty miles in length, built to connect with the Pennsylvania and other trunk lines, the company owns the Jaragua Iron Company, which comprises extensive ore lands in Cuba, with the necessary equipment for operation. The ore here obtained is high grade Bessemer ore. It is carried on the books of the company at $600,000, but its value in the opinion of the management is in excess of $10,000,000.

The corporation's other subsidiaries are the Union Iron Works Company of San Francisco, which, in turn owns the Union Iron Works Dry Dock Company, and the San Francisco Dry Dock Company, recently acquired. This is the largest shipbuilding plant and dry dock on the Pacific Coast, the birthplace of the battleship Oregon.

Samuel J. Moore & Sons Corporation, with foundries and machine shops at Elizabeth, N. J., was merged in 1907 with two of the corporation's smaller shipbuilding subsidiaries. It builds small craft and does marine repair work.

The Harlan & Hollingsworth Corporation owns a shipbuilding plant at Wilmington, Del., with a dry dock, boilershop, foundries and a large carbuilding plant. These plants have been steadily improved until its equip-

ment and facilities for economical manufacture have been completed.

The Bethlehem Iron Mines Company was incorporated in 1908 to acquire all mining rights that may be taken up by the Bethlehem Steel Corporation, exclusive of those of the Jaragua Iron Company. It owns a controlling interest in the Cheever Iron Ore Company, whose mine is at Port Henry, N. Y., and a mine at Port Bolivar, Texas, in Cass county, with connections to the Seaboard over the Atchison. The company's chief field of operation is on the north shore of Cuba, where 190,000,000 tons of ore are "in sight." This company's ore holdings, valued at 15 cents per ton in the ground, are supposed to be worth $28,000,000.

ORE HOLDINGS.

Mr. Schwab's fame will some day go down to history, not only as one of the best and most practical steel manufacturers of his age, but as its greatest collector of iron ores. Besides having secured by contract 3,000,000 of the very finest Swedish ore for use in his ordnance plants, as well as a footing in China, with which to supply the Union Iron Works, he purchased last spring the Tofo Iron Mines in Chile. These mines are upon the surface of mountains 3,000 feet above the sea, to which the ore is sent by aerial tramway to be loaded into ships. Chile appears at first glance to be a pretty far cry, but as the ore, almost free from sulphur or phosphorus, contains 67 per cent. iron, or 17 per cent. more than the average of the Lake Superior ores, it can be laid down via the Panama Canal, more cheaply than the Lake ore can be delivered to Pittsburgh.

The importance of these ore holdings may appear trifling, until it is recalled that not only is Bessemer ore almost exhausted in this country, but that the market for ore in general, through the control of its transportation as well as the Great Northern Ore lease and the absorption of the Tennessee Coal & Iron Company, have produced inflated values and costs for ore.

The Chilean and Cuban deposits are suitable for the Bessemer process, which is the cheapest process commercially in use, but since Bessemer ore is almost exhausted, steel and iron companies with their capital invested in Bessemer furnaces are at a serious disadvantage in competition with companies possessing a supply.

So great in Mr. Schwab's eyes are the value of these Chilean ores, of which there are between 60,000,000 to 100,000,000 tons, that he has under consideration plans for the formation of a fleet of at least ten 15,000-ton steamers to carry his ore from Chile. Perhaps it was to build this fleet, or perhaps it was to enable him to bid for and build entirely in his own plants the great battleships of the world, that some months ago he bought the Fore River Shipyards, which, second to the Cramp Yards and the yards of the New York Shipbuilding Company, are the largest in this country. It was at these yards that the biggest battleship yet built—an Argentine dreadnought—was launched. The Bethlehem Steel Company made her armor.

Unquestionably Mr. Schwab is very ambitious; he wants to build the Chinese navy. At any rate there are no iron ore deposits upon the Pacific Coast, and consequently no steel mills of consequence. In all probability the Union Iron Works, which heretofore has been little else than a great repair shop, will take on a new lease of life, and it and the corporation's other shipyards will probably build some of the ships to supply the demand caused by the opening up of new trade routes through the Panama Canal.

EARNINGS OF THE CORPORATION.

The acquirement of these sources of raw material, together with the installation of labor-saving and cost-reducing devices, have been responsible for the great improvement in earnings of the past few years, but it is the variety and distinctiveness of the company's products which has given the company a stability of earnings altogether remarkable in a steel company. In addition to the usual products of a steel mill, such as pig iron, rails, blooms, billets, merchant bars, etc., the com-

pany is the producer of the best armor plate and ordnance in the country. It makes also ships, engines, machine forgings, gas engines and railroad car underframes.

But the company's most valuable product appears to be a patented structural H beam, of the rights to the manufacture of which the company has a monopoly in this country. This beam is superior to the ordinary structural beam, to which the sides must be bolted by the contractor in the erection of a building or a bridge.

The cost to the contractor of erecting a structure with this beam is therefore much less than with any other in the American market. The beam which possesses equal strength, weighs 10 to 15 per cent. less, an additional advantage to the buyer, while on the other hand, it costs the Bethlehem no more to manufacture. The structural mills of the company have been running at capacity through depression and prosperity alike.

About a year ago a train left the plant of the Bethlehem Company loaded with these beams. The Bethlehem people claim that it was the longest train ever sent out loaded with structural steel. The train was a third of a mile in length, and was sent to Davenport, Ia. This journey gives a good example of the popularity of this product of the company, when it is recalled that the material was sold in competition with that produced at Chicago, 1,000 miles nearer the market. The difference in the freight must have been many dollars per ton.

Although the unfilled tonnage of the United States Steel Corporation fell from 7,932,000 tons on December 31, 1912, to 5,800,000 tons on June 30, 1913, a decrease of about 27 per cent., the orders of the Bethlehem Steel Corporation fell less than 1 per cent., or from $29,282,000 to $29,000,000. Had the falling of the Steel Corporation been given in dollars instead of tons, the shrinkage, on a falling iron market, would have been greater still.

GROWTH AND STABILITY OF EARNINGS.

In comparison with the United States Steel Company the net earnings of the Bethlehem Corporation have made the following comparison as to growth and stability:

	Bethlehem.	% of 6-yr. average.
1907	$2,638,957	72%
1908	2,192,355	60%
1909	2,836,593	77%
1910	4,524,141	123%
1911	4,792,713	130%
1912	5,114,440	139%
Average	$3,683,199	

	U. S. Steel.	% of 6-yr. average.
1907	$160,964,674	132%
1908	91,847,711	75%
1909	131,491,413	107%
1910	141,054,745	115%
1911	104,305,466	85%
1912	108,174,673	88%
Average	$122,296,947	

The percentage figures show the relative tendencies of the two companies and speak for themselves. It should be observed that in the depressed business year of 1911 the earnings of the Steel Corporation fell off 30 per cent., while those of the Bethlehem increased by 7 per cent., showing the greater stability of the latter's earnings. This performance, so far as I know, is unique among the Steel companies in that year. Last year Bethlehem's earnings increased 9 per cent. Those of the Corporation increased but 3 per cent. The greater decrease in the unfilled orders for U. S. Steel indicates a continuance of Bethlehem's more favorable comparison during the present year.

The internal comparison of Bethlehem's earnings, as shown in table herewith, indicates the growing value of the company's stock.

The corporation has outstanding $14,908,000 of 7 per cent. preferred stock upon which 5 per cent. is now being paid, and $14,862,000 of common. The funded debt is $32,441,533, making the company's total capitalization $62,211,533. Since 1907 the amount applicable to dividends have increased from 10 per cent. to 19 per cent. upon the preferred stock, and from 5 per cent. to 12 per cent. for the common.

Few persons outside the steel trade appreciate how wonderful has been the development of the Bethlehem Steel Corporation under Mr. Schwab's aggressive management. This year the company is

PROGRESS OF BETHLEHEM STEEL.

	Total capitalization.	% of 6-yr. average.	Repairs, depreciation and ore extinguishment.	% of 6-yr. average.
1907	$51,136,000	91%	$1,803,000	62%
1908	51,358,000	92%	2,210,000	70%
1909	57,840,000	103%	2,810,000	97%
1910	57,126,000	102%	3,262,000	113%
1911	56,061,000	100%	3,525,000	122%
1912	62,221,000	111%	3,760,000	130%
6-yr. average	$55,907,000	Increase 20%	6-yr. aver. $2,895,000	Increase 68%

	Bal. for divs. after depreciation.	% of 6-yr. average.	Total surplus Dec. 31.	% of 6-yr. average.
1907	$1,507,000	103%	$2,100,000	44%
1908	367,000	25%	2,467,000	51%
1909	801,000	55%	3,268,000	68%
1910	2,002,000	138%	5,270,000	109%
1911	2,039,000	139%	7,309,000	152%
1912	2,063,641	141%	8,518,000	177%
6-yr. average	$1,463,000	Increase 38%	6-yr. aver. $4,822,000	Increase 133%

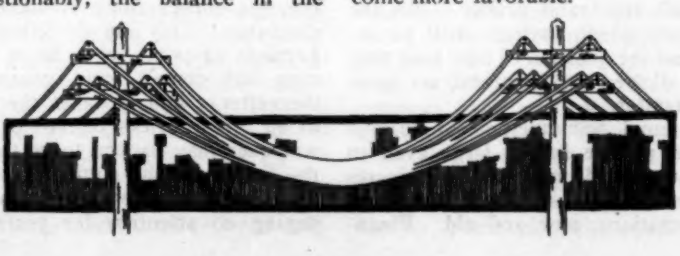
spending at least $5,000,000 at South Bethlehem. This work includes doubling the open hearth furnace equipment with new furnaces of 90 to 100 tons capacity, in place of the present 60-ton furnaces. The result of this continued physical expansion will be that whereas formerly the armor plate, ordnance and specially manufactured forms of steel constituted about 65 per cent. of the total gross business, upon the completion of this work they will comprise less than 30 per cent.

EFFECT OF TARIFF.

As to the tariff outlook, I feel that the Bethlehem Co. is in a stronger position to withstand the effects of the tariff, notwithstanding its nearness to the Atlantic seaboard, largely on account of the specialized nature of its products, such as its patented beam, and armor and ordnance works. In the latter products it has for many years competed in the world's market with a high degree of success. In addition, it will benefit not a little from lower duties on ore and on ferro manganese.

Unquestionably, the balance in the workings of the tariff will affect the company unfavorably rather than otherwise. At the same time, it seems likely to lose much less than its competitors. Despite this fact, however, and despite Mr. Schwab's able and aggressive management, continued reduction of costs in operation, the benefits which may accrue to the corporation from the acquisition of the Chilean ore mines and the consequent possibilities for increased business on the Pacific Coast, and the possibility of growth of shipbuilding due to increase in coastwise traffic through the Panama Canal, nevertheless the outlook for a severe and prolonged business depression, which I have discussed in former contributions to this magazine, seems so certain, that I am not bullish upon any steel stocks, even the Bethlehem, at the present time.

However, Bethlehem Steel stocks will bear watching closely. To my mind, they are the most promising of the steel company stocks and should give the best account of themselves of any stocks of this class when general conditions become more favorable.



Investment, Pure and Simple, Obsolete

By HENRY HALL, Author of "How Money Is Made in Security Investments"

I WISH that I had the power of description of a Thomas W. Lawson, for the sake of setting forth the absurd position of the man, who, in these modern times, proudly claims to be "an old-fashioned, conservative Investor," as distinguished from a Speculator.

Dear old-fashioned Investor, the man who "utterly abhors Speculation," how dear to the heart of the capital-seeking corporation and banker thou art! You and your brethren in every rank and station in life, in this land of the free and home of the brave, pile up in the aggregate about one full billion dollars a year of surplus money, through brainy enterprises, hard labor or frugality, or all three.

That glittering pile of dollars is badly wanted for the promotion and extension of legitimate business enterprise in the United States. Indeed, it can earn an income for its possessor only after it has been embarked in some form of practical enterprise; and the natural destination of the bulk of it is, of course, investment in the new issues of stocks and bonds of corporations that wish to extend railroad tracks into new territory or double track existing lines, or wish to buy more machinery or build new factories, or establish new stores or develop new mines, or in some other way extend the appliances of production, transportation and distribution to keep pace with the demands of an ever increasing population.

There is not a word to be said against investment of the savings of a nation in its multiplicity of business pursuits. This is all right and proper. But the terms upon which savings shall be invested, and the question of how long they shall be allowed to stay there, are quite another matter.

The annual accumulation of surplus money in private hands, large even in the bluest of hard times, fairly fascinates and hypnotizes the seekers after capital for corporations, new and old. Financial agents of corporations, private bankers, bond houses and corporations themselves throughout the length and breadth of the land, and another class of men of whom I will speak presently, all want some of that money. Their minds are concentrated intensely upon the ways and means of getting it. In the aggregate, an acre more or less of advertising appears in the newspapers of the country daily, bidding for some of this new capital. Bond salesmen to the number of thousands steadily canvass the cities and villages of the country every day of the week. Attractive circulars are printed by the ton and distributed broadcast through the mails. Not one device, which the human mind can invent is neglected, in order to induce the public to part with its savings and put the money into stocks, bonds, and other securities. And the enterprise of the corporations and financial agents in this respect, is heartily and enthusiastically seconded by a race of keen witted gentlemen, who thrive by intelligent Speculation alone, and who, when it is believed the public hoards will soon be released, hastily load up with stocks, in order to have the pleasure of handing them out to conservative, old-fashioned and slow-moving Investors, at a subsequent advance in price.

To all these financial interests, sincere and insincere, constructive and speculative, the old-fashioned Investor, the man who abhors Speculation, the man to whom "the price is nothing as long as the purchase is for investment" is the darling of one's heart, the apple of one's eye, the corner stone of success in the campaign. This fine old fellow buys regardless of price, when he is sure "the turn has come" (and generally long thereafter); and he takes the vast bulk of all the securities offered or afloat, at whatever may happen to be the price at the time, puts the stuff away in his deposit box and goes about his business, paying no attention for years to what

may be happening in that dreadful mart of detestable "Speculation," which goes by the name of Wall Street. He clings stubbornly to his stocks and bonds, through thick and thin, through booms and panics, and he is seldom on the watch for anything in the security markets, except for the next new offers of bonds, notes or shares, and the rate of income he can obtain by buying them. This picture may be a little overdrawn, but it is very near the mark. It certainly describes a large class of Investors.

* * *

I KNOW, and probably every reader does also, of millions of money which were put into 3½ per cent. bonds by old-fashioned conservative Investors in 1897-1899, and into stocks in 1906, and into other securities at other dates, which will never return to those Investors, and perhaps not even to their estates, during the lifetime of their heirs. It is hard to see any set of circumstances, under which some securities are likely ever to return even to the extreme top prices of 1909. It is inconceivable that British consols, with which many old-fashioned Investors in England are loaded, at from par to around 112, will ever return to those figures. Why dwell at any length upon this aspect of the subject? Stock-market history overflows with instances of the flotation of large masses of securities which were blindly taken by the old-fashioned investment public, which could be sold today by their original possessors only at a loss of perhaps billions of dollars. The old-time style of Investment was wasteful and costly beyond words.

This being the case, this fact having been painfully and bluntly forced upon the consciousness of the conservative investment world, by a thousand instances and by many hard jolts and bumps, what is the answer? To my mind, Investment, as formerly conceived, should be considered an obsolete art. In the minds of thousands of progressive-minded men, it is already an obsolete practice. There is no place for it, at any rate, in the affairs of a man who has his fortune to make or who is trying, slowly and laboriously, to gain such an increment to capital, as to place him beyond the necessity of daily labor in his later years. Wherein lies the advantage of buying something, for the sake of the income, when invested capital may shrink enough thereafter to cancel the whole of the receipts from dividends or interest for a long term of years? A man might as well try to carry a ladleful of quicksilver in the hollow of his hand, on the top of a jolty Fifth Avenue omnibus. By the time he has reached his destination, a large part of it would be gone.

The fact is, the prudent Investor will henceforth become a long-pull Speculator in stocks and bonds. He should abandon all his hostility to Speculation, *per se,* look at the matter from the point of view of common sense, and not only save himself from harm, but also place himself in a position to add to his capital yearly, by regarding all his security investments merely as transient holdings, to be sold, on average, once a year, although occasionally, he can wait two or three years before selling.

* * *

IT will administer a severe wrench to the minds of thousands of men, sound, splendid, conservative people, who are as the salt of the earth in their respective communities, if they are to classify themselves as "Speculators," or allow any one else to do so, and if they are to change the habits of a lifetime to the extent of consulting advisers and studying conditions, with a view to emptying and refilling their safe deposit boxes, once a year, or once in two or three years. But from the point of view of safety of invested capital and gaining a decent increment thereto, what else is to be done? From one cause and another, the security markets are always in process of going higher or lower. A stubborn speculative short interest or some other cause may force some excellent stock to a price far above investment value at the moment, as for instance, in the case of U. S. Steel, common, which rose to 94⅞ in 1909 against the short interest. The same stock sold at 61⅛, about a year later. What would an Investor have gained by holding Steel common through those fluctuations? What he would have lost is perfectly apparent, namely, a sum of money equal to several

years' dividends, to say nothing of the ability to buy more shares of the stock toward the end of the reaction.

What would a man have gained, if he had failed to sell off all his standard bonds in the good times of 1909 and had held them until now? The income might be secure, but the capital would have shrunk materially, equal in amount, in fact, in most cases, to two or three years' interest, with no assurance of a material recovery in market value, for some time to come. There is no space here for citing a large number of specific instances. Nor is that necessary.

* * *

THE point I am trying to make is that the old habit of holding on to one's securities, regardless of booms and panics, of hard times and good times, and of buying regardless of price, is a foolish proceeding, and should be abandoned by even the most conservative. Safe deposit boxes should be emptied completely, by everybody, in periods of good times, when prices have risen above the normal. They should be allowed to stand empty a year or so, and then refilled.

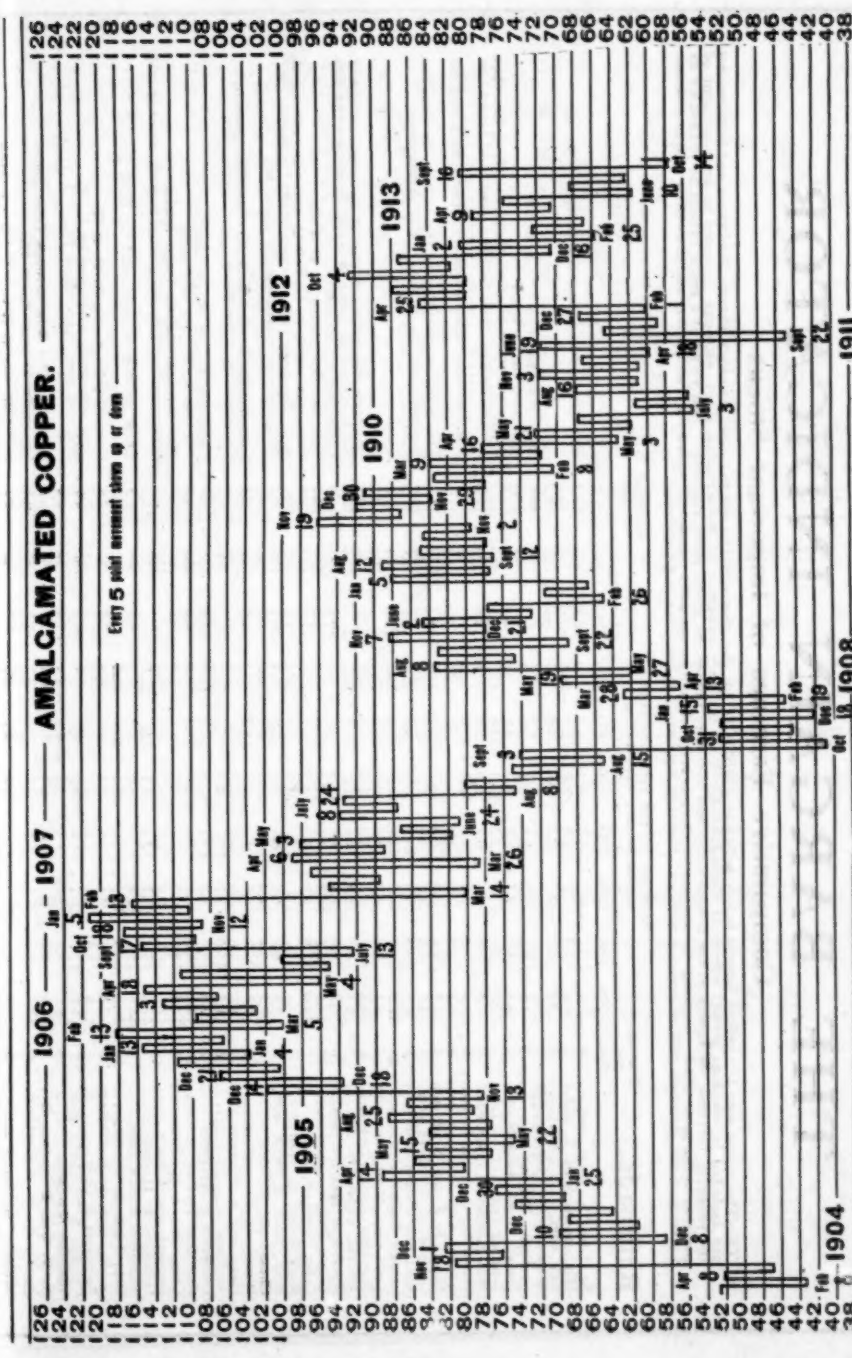
I admit that some public danger would arise, if the foregoing advice were to be followed by the whole body of Investors throughout the United States, especially if they should all sell out, at once, at the top of a stock market boom. I well remember the horror inspired in my own mind, a few years ago, by Thomas W. Lawson's famous displayed advertisement in the newspapers, headed, in big type, "Sell all your Stocks and Bonds; and Keep on Selling." Had that injunction been obeyed at the time, there would have been precipitated the most terrible Panic the world has ever seen. Sound securities would have shrunk in value to the selling cost of book markers, and there would inevitably have been witnessed a severe and prolonged depression in trade. Happily, Mr. Lawson's advice was disregarded.

The damage inflicted by a simultaneous sale of investment holdings at the top of a boom would, however, be partly compensated for by a later tremendous rise in values, when Investors simultaneously entered the market for repurchase. In spite of the fact, that financial panics would probably be more severe, if liquidation of investment holdings were general, if all Investors should assume the role of Speculators, we should have on the other hand more lively and excited bull markets, covering a wider range of price, when conditions favored a general investment and speculative demand for securities on the part of the public.

I have conversed about finance with many men of mature years, men of the old conservative spirit, who bought when they had the money, with a view simply to income, and who put away stocks and bonds with the intention of never selling them during ther lifetimes but of accumulating a nice hoard of good stuff for the benefit of their heirs. In no case, did I ever find one who did not lament the fact that some of his holdings had tremendously depreciated in value; that he had been tempted to sell, at some time or other, because of doubt as to the future of the security; but he had not sold because he did not want to "speculate."

To many such men, a description of the wonderful changes in price of stocks and bonds since 1900, and of the many opportunities lost for adding, safely and conservatively, to capital, came as a revelation. They knew there had been panics. They knew there had been great booms. But they had looked on them as interesting incidents in the news of the day and as no particular consequence in the management of their own fortunes. The lack of interest and desire to take advantage of booms and panics for their own emolument was almost incredible.

The old-fashioned Investor should wake up, and take the position of a long-pull Speculator.


AMALGAMATED COPPER.
Every 5 point movement shown up or down
1904
1905
1906
1907
1908
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1911
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1913

THE BARGAIN INDICATOR

Comparative Earnings of Important Stocks

NOTE—The minus sign (—) before figures below indicates a DEFICIT for the year equal to the per cent. on stock given. Additions and betterments are included in earnings given, wherever distinguishable from ordinary expenses of maintenance, since earnings invested in improvement of the property increase the equity of the stockholders and therefore render the stock more valuable. The value of a stock cannot be judged by its position in the table ONLY. Earnings for successive years as given should be carefully examined, with a view to stability and growth as well as amount. Latest monthly earnings will be found in table of "Monthly Net Earnings" or "Investment Digest."

Railroads	Present div. rate.	Earnings on par for fiscal year ending on any date during								Present price.	Earnings last fisc. yr. on pres. price.	Notes.
		1906.	1907.	1908.	1909.	1910.	1911.	1912.	1913.			
St. Louis S. West. com...	0	—2.7	3.7	—4.2	—2.5	—1.1	1.4	3.8	5.6	23	24.3	Pfd. div. reduced from 5% to 4%.
Minneapolis & St. L. pfd..	0	10.4	7.8	2.7	—2.4	1.9	1.5	—11.9	7.6	37	20.5	
Erie com.	0	2.2	3.0	—3.7	0.3	2.9	2.5	0.7	4.2	26	16.2	
Seaboard Air Line Ry. pfd	0	....	....	....	....	....	7.6	3.7	7.2	45	16.0	Divs. probable soon.
Southern Railway com....	0	1.9	—0.6	—2.2	0.5	2.3	3.1	3.1	....	21	14.8	Pfd. now on 5% basis.
Denver & Rio Grande pfd.	0	8.1	9.1	7.7	6.6	8.3	4.7	2.0	4.2	29	14.5	Contr. and finan. W. Pac. wh. earns only ½ fxd. chgs.
Reading com.	8	13.9	13.0	12.7	13.2	16.1	13.8	12.5	22.7	159	14.3	Incl. betterm'ts. Suit filed agst. control of Jersey Cen.
Mo., Kansas & Texas com.	0	1.8	5.0	0.4	0.7	0.8	2.0	—0.8	2.8	20	14.0	
Pitts., C., C. & St. L. com	5	8.6	8.8	7.2	9.8	6.1	7.0	10.9	....	83	13.1	Pfd. and com. share above 5%. Contr. by Penna. Co.
Kansas City Southern com	0	0.3	5.4	2.6	3.4	2.2	2.7	0.2	2.7	23	11.7	
Minn., St. P. & S. S. M. com	7	11.7	9.6	8.4	8.8	15.7	5.3	11.1	14.7	129	11.4	Pfd. and com. share above 7%. Contr. by Can. Pac.
Colorado & Southern com.	1	3.5	4.5	4.8	4.9	7.3	5.2	2.6	3.2	28	11.4	Controlled by C., B. & Q. (Hill management).
Southern Pacific com.....	6	8.1	12.5	7.4	10.2	13.0	9.6	7.9	9.6	85	11.3	Govt. will contest ownership of Cent. Pacific.
Lehigh Valley com.......	10	18.2	20.0	19.2	15.4	23.0	16.5	13.2	16.9	149	11.3	
Twin City Rapid Tran. com	6	8.1	8.2	8.3	9.9	10.9	11.0	11.3	....	106	10.7	
Brooklyn Rapid Transit...	6	4.8	4.4	4.1	4.2	5.6	6.8	8.3	9.2	86	10.7	Subways will doubtless enlarge earnings eventually.
Atlantic Coast Line.......	7	10.8	6.3	5.6	9.4	12.0	12.8	12.1	....	114	10.6	Holds control of Louis. & Nash. by stock ownership.
Norfolk & Western com...	6	9.7	9.0	7.1	8.7	11.6	8.9	9.9	10.6	102	10.4	Controlled by Penna.
Union Pacific com........	10	14.2	16.5	16.2	19.1	19.2	16.6	13.8	15.1	148	10.2	Now has 39% control of B. & O.
Great Northern pfd.......	7	13.0	11.8	7.1	8.3	8.5	8.3	10.3	11.7	121	9.7	Has large equity in C., B. & Q. and Can. extensions.
Rock Island Co. pfd......	0	....	....	....	....	1.6	3.8	0.5	1.6	17	9.4	R. I. Co. owns 94% of stock of R. I. Lines.
Buff., Roch. & Pittsb. com.	6	8.6	8.7	6.2	6.3	7.3	8.0	8.4	10.2	108	9.4	Pfd. and com. share equally above 6%.
Chesapeake & Ohio.......	4	7.3	5.4	4.4	6.4	10.0	5.1	6.8	5.2	56	9.3	
Wisconsin Central com...	0	1.7	3.2	—0.6	0	2.5	—4.3	0.3	4.0	44	9.1	Leased to M., St. P. & S. S. M. (Can. Pac. system).
Lake Erie & Western pfd.	0	3.1	2.0	—2.0	0.8	—0.2	—0.1	1.8	....	20	9.0	Controlled by Lake Shore.
Atchison com.	6	11.8	15.0	7.7	12.1	8.9	9.3	8.2	....	91	9.0	
Louisville & Nashville.....	7	10.6	10.7	7.5	14.3	17.3	14.2	15.9	11.6	131	8.9	Controlled by Atl. Coast Line.
Canadian Pacific	10	14.1	13.7	10.6	8.6	16.0	17.3	19.6	19.6	223	8.8	Div. 7% R. R.; 3% land sales.
Chic., Mil. & St. Paul com	5	12.3	10.5	9.5	7.2	8.0	7.1	1.6	8.6	99	8.7	1913 earnings include Puget Sound.
Pennsylvania Lines	6	11.7	10.7	9.0	11.0	9.3	8.6	9.3	....	110	8.5	Divs. pd. since 1856. $45,000,000 new stk. recently sold
Delaware & Hudson......	9	12.6	15.2	12.4	12.2	12.5	12.3	13.0	....	155	8.4	
Northern Pacific com.....	7	14.5	15.1	12.8	10.7	9.0	8.2	7.9	8.7	105	8.3	Large equities in lands and C., B. & Q.
Del., Lack. & Western....	20	22.2	38.5	40.8	52.8	35.4	31.8	33.2	....	398	8.3	
N. Y., Ontario & Western	2	2.0	2.8	2.6	2.3	2.3	2.0	0.8	2.1	27	7.8	Controlled by N. Y., N. H. & H.
Baltimore & Ohio.........	6	12.6	9.9	5.1	7.1	8.9	6.9	7.6	7.1	92	7.7	Now practically controlled by U. P.
Chicago & Northw'n com.	7	14.8	12.7	11.2	11.4	7.7	8.0	7.1	9.6	126	7.6	Pfd. and com. share above 7%.
Missouri Pacific	0	8.1	9.9	3.7	1.3	3.3	—6.3	—2.4	1.9	28	6.8	
N. Y. Cen. & Hudson R..	5	4.6	6.2	5.1	7.7	6.4	5.7	6.2	....	94	6.6	Controls 1/7th Rdg. through Lake Shore.
N. Y., N. H. & Hartford.	6	12.2	9.2	5.4	7.4	10.3	7.1	8.5	4.9	85	5.8	Div. reduced from 8% to 6%.
Illinois Central	5	....	....	8.4	7.4	7.1	10.3	3.2	6.0	107	5.6	Div. recently reduced from 7%.
Western Maryland com...	0	....	....	....	....	0.9	0.4	0.6	....	37	1.6	Connect'n with N. Y. Cen. completed. Will help earns.
Chicago Gt. Western pfd..	0	....	....	....	....	1.2	1.9	0.4	....	27	1.5	
Toledo, St. L. & West. pfd	0	4.7	6.4	0.2	1.0	2.0	—0.6	—0.5	....	22	0	Earns. given exclude divs. on Alton, now discontinued.
St. L. & San Fran. 2d pfd	0	13.2	24.7	1.6	8.2	5.8	8.3	—0.1	....	8	....	Now in receivers' hands.

given exclude divs. on Alton, now discontinued.
Now in receivers' hands.

Preferred stocks earning more than the per cent. to which the dividend is limited, but now receiving either no dividend or less than said limit:

	Present div. rate.	1906.	1907.	1908.	1909.	1910.	1911.	1912.	1913.	Present price.	Earnings last fisc. yr. on pres. price.	Notes.
Erie, 1st pfd.............	0	10.4	12.3	—3.4	6.1	12.1	11.2	7.0	15.3	41	37.4	Entitled to 4%.

Industrials

	Present div. rate.	Earnings on par for fiscal year ending on any date during: 1906.	1907.	1908.	1909.	1910.	1911.	1912.	1913.	Present price.	Earnings last fisc. yr. on pres. price.	Notes.
General Motors com......	0	....	....	....	....	....	15.7	17.3	38.8	38	102.1	1911 earnings 10 mos. only.
Am. Locomotive com......	0	17.7	18.1	11.1	—3.1	1.3	7.3	0.5	17.7	30	59.0	Mfr. of autos discontinued.
Central Leather com......	0	0.4	0.4	1.3	6.3	—2.1	—5.1	8.6	....	20	43.0	
Railway Steel Spring com.	2	8.7	8.6	—1.3	5.3	6.0	0.3	5.8	....	24	24.1	
Am. Malt Corp. pfd......	4	2.8	—4.0	10.6	6.2	3.0	8.8	9.3	....	44	21.1	Divs. in arrears 21%.
Repub. Iron & Steel pfd..	7	12.2	18.6	9.8	8.1	11.7	9.7	5.1	14.9	78	19.1	Arrears 5¼%.
Bethlehem Steel pfd......	5	5.1	10.8	2.4	5.3	13.4	13.6	13.1	....	70	18.7	
Am. Beet Sugar com......	0	2.1	1.0	4.2	7.0	7.3	10.9	13.5	3.9	21	18.6	Will be affected by tariff reduction.
Am. Hide & Leather pfd..	0	1.9	2.2	—0.1	11.2	—5.6	0.8	3.2	3.6	20	18.0	
Am. Steel Foundries......	2	5.9	14.0	0.3	0.1	6.1	—1.5	4.6	....	27	17.0	1911 earns. are 17 mos. 1st 6 mos., 1913, 3.8%.
Colorado Fuel & Iron com.	0	1.7	0.9	0.4	2.1	4.0	3.2	4.8	4.6	27	17.0	Pfd. in arrears about 40%.
Am. Cotton Oil com......	0	3.8	8.7	3.2	10.4	6.8	—1.2	6.5	....	39	16.7	Controls 17 sub-companies.
Inter, Paper pfd	2	8.9	7.2	7.3	2.7	4 5	5.3	5.4	....	33	16.4	6% cum. divs. in arrears.
Am. Smelting & Ref. com.	4	10.6	12.8	7.0	7.7	7.1	9.1	10.1	....	62	16.3	Earns. 1911 & 1912 Smelting and Smelters Sec. consol'd.
U. S. Realty & Imp.......	5	4.8	6.0	7.7	9.2	9.7	9.4	8.3	9.2	57	16.1	Controls Geo. A. Fuller Construction Co.
Tennessee Copper (par $25)	6	16.5	16.0	6.5	6.8	8.9	8.1	17.9	....	$28	16.0	Income partly from sulphuric acid. Addl. 4% div. 1912.
Am. Can pfd..............	7	5.1	6.4	6.6	6.7	6.8	7.1	14.2	....	91	15.6	Arrears 8¾%; 1912 earngs. are after chgs. on new bds.
Inter. Harvester (N.J.) com	5	5.1	6.5	7.8	17.8	14.8	14.2	15.2	....	102	14.9	Govt. suit pending.
U. S. Rubber com.........	6	4.1	4.4	0.2	4.0	7.8	2.2	6.3	8.7	59	14.7	1913 figured on present cap. stock.
Westinghouse Elec. com..	4	....	....	....	....	7.6	12.3	6.2	8.2	65	12.6	Large interest in 3 foreign Westinghouse Cos.
Am. Agricul. Chem. com..	4	4.1	6.2	6.1	7.5	10.4	9.1	7.3	5.2	44	11.8	
Union Bag & Paper pfd...	0	7.3	7.0	7.4	6.2	5.4	5.5	5.3	2.6	22	11.8	In arrears on 7% cum. div. Fisc. yr. ends Jan. 31.
General Electric	8	11.7	11.6	10.2	7.4	16.7	14.5	16.2	....	140	11.6	Jan., 1913, 30% stock div.
Sears, Roebuck com......	7	6.6	8.5	4.5	18.4	20.5	17.0	19.3	....	171	11.3	In 1911 p'd a 33⅓% stock div.
U. S. Steel com...........	5	14.4	15.7	4.0	10.5	12.3	5.9	5.7	....	54	10.6	U. S. Govt. suit pending. 6 mo. to June 30, earned 6.6%
Corn Products pfd........	5	....	7.2	8.5	8.2	6.9	7.0	6.8	....	65	10.5	Divs. in arrears. Earned 10 mos. to Dec., 1912, 5.7%.
Utah Copper (par $10)....	30	....	5.9	23.3	29.5	34.6	39.7	53.5	....	$51	10.4	Earned 6 mos. 1913, 23.5%.
North American	5	3.2	4.7	4.8	6.0	6.2	6.2	7.2	....	71	10.1	Controls Street Ry. & Elec. Light Cos.
Am. Woolen com..........	0	3.5	—3.3	—3.9	5.2	2.2	2.1	2.1	....	21	10.0	Affected by new tariff.
U. S. Cast Iron Pipe pfd.	4	14.0	14.7	5.4	1.2	4.4	3.9	4.2	4.7	48	9.8	Controls 75% of U. S. production.
Am. Car & Foundry com..	2	4.5	20.1	23.8	2.6	6.6	7.1	2.5	4.1	42	9.8	$600,000 set aside for com. divs. equals 2% on stk.
National Lead com........	3	5.3	6.0	5.8	6.2	4.3	3.6	3.8	....	44	8.6	
Pittsburgh Coal pfd.......	5	8.1	10.0	1.7	3.0	7.2	5.1	7.5	....	88	8.5	Divs. in arrears. 6 mo. to June 30 earned 4.2%.
National Biscuit com......	7	7.1	7.6	8.1	7.4	7.7	9.8	10.0	9.6	119	8.1	Fiscal yr. ends Jan. 31.
Am. Sugar Refin. com....	7	....	12.4	7.5	3.9	3.8	9.6	8.7	....	107	8.1	Affected by tariff reduction.
Am. Teleg. & Telep.......	8	8.2	9.0	10.1	9.0	10.4	10.0	9.3	....	121	7.7	Large equities. 1st 6 mos. 1913 earned 4.8%.
Distillers' Securities	0	6.4	7.8	1.5	2.2	2.3	3.1	1.5	1.2	16	7.5	Holds maj. U. S. Ind. Alcohol.
Pacific Coast com..........	6	10.1	10.3	5.7	5.3	8.8	7.2	6.2	....	84	7.4	Com. and 2d pfd. share equally above 4%.
General Chemical com....	6	7.3	5.7	4.5	14.4	15.6	15.5	11.5	....	177	6.5	5% stock div. 1912. 6 mo. 1913 earned 7.7%.
People's Gas Light & Coke	8	6.9	7.6	8.4	8.9	9.0	8.9	7.5	....	119	6.3	
Amalgamated Copper	6	5.9	9.2	4.3	2.4	3.9	3.9	4.3	....	71	6.1	8 mos. to Jan. 1, '13, earned 4.3%.
Consolidated Gas (N. Y.).	6	....	3.9	4.9	6.7	7.4	7.6	7.5	....	128	5.9	Has acquired N. Y. & Queens Elec. & Gas. Cos.
Pullman	8	14.7	11.6	9.8	10.9	11.6	9.3	8.7	....	152	5.7	
Western Union	3	5.9	5.0	1.7	5.8	5.7	5.4	4.0	3.1	61	5.1	Controlled by Am. Tel. & Tel.
Pressed Steel Car com....	0	17.2	13.3	—5.8	7.7	5.5	0.1	0.8	....	24	3.3	
Sloss-Sheffield com.	0	5.3	9.9	4.9	6.6	2.0	—0.6	0.8	....	29	2.8	
Va.-Carolina Chem. com...	0	4.8	5.9	3.7	7.1	10.4	3.1	3.3	0.5	28	1.8	Owns Southern Cotton Oil Co.
Pacific Mail	0	1.4	0.7	—2.1	—1.7	—1.1	—1.0	—0.1	0.1	19	0.5	Contr. by So. Pac. Panama Canal should incr. earngs.
Nat. Enam. & Stamp. com.	0	1.7	6.7	—2.1	1.1	1.0	1.1	—1.6	....	10	0	1912 earnings 18 mos.
Inter Steam Pump com...	0	....	3.7	2.0	1.4	2.8	2.0	—0.9	....	7	0	Pfd. div. recently passed.
Am. Linseed pfd.........	0	....	....	....	5.8	4.5	2.6	—2.8	....	20	0	

Monthly Net Earnings

THIS table gives the returns of the principal railroads down to latest dates available, and should be studied in connection with the "Bargain Indicator," which shows annual results, and the "Investment Digest," where other details of earnings will often be found.

		Current month.	Change from last year.	Fiscal yr. to date.	Change from last fisc. yr.	Stock outstanding (in millions). *Pref.*	*Com.*
Atch., Top. & S. Fe	Aug.	$3,288,257	—$73,753	$6,147,300*	+$72,219	114	193
Atlantic Coast Line‡	Aug.	177,520	—248,950	512,848*	—312,212	...	67
Baltimore & Ohio	Aug.	3,048,778	+181,527	5,741,586*	+481,925	59	152
Boston & Maine	Aug.	1,386,938	—163,758	2,443,499*	—341,360	3	39
Buff., Rochester & Pittsb.	Aug.	361,566	+17,862	687,545*	+59,443	6	10
Canadian Pacific‡	Aug.	3,961,139	—756,787	8,077,932*	—1,088,171	66	200
Central of Georgia	Aug.	132,092	—105,278	293,610*	—231,695	15	5
Central R. R. of N. J.	July	1,197,391	—80,685	1,197,391*	—80,685	None	27
Chesapeake & Ohio	Aug.	1,179,023	—70,395	2,063,709*	—50,544	...	62
Chicago & Alton‡	Aug.	430,808	+55,894	741,974*	+29,643	19	19
Chic., Burl. & Quincy‡	Aug.	3,233,919	+194,373	5,520,815*	+476,888	None	110
Chic. Gt. Western	Aug.	431,706	+47,967	752,809*	+92,940	41	45
Chic., Mil. & St. Paul‡	Aug.	1,903,603	—1,045,639	4,133,917*	—1,208,967	116	116
Chic. & Northwestern‡	Aug.	2,705,887	—170,758	4,525,734*	—177,993	22	130
Cleve., Cin., Chic. & St. L.	Aug.	571,584	—592,429	2,459,864†	—2,290,109	10	47
Colorado & Southern	Aug.	435,313	+44,564	750,616*	+53,503	1st, 8; 2d, 8	31
Delaware & Hudson	July	807,525	—46,975	5,104,630†	+877,153	None	42
Del., Lack. & Western	Aug.	1,378,413	—44,649	2,640,834*	—26,370	None	30
Denver & Rio Grande‡	Aug.	583,679	+9,484	966,539*	—88,999	49	38
Erie‡	Aug.	1,348,478	—460,107	2,792,921*	—593,932	1st, 47; 2d, 16	112
Gt. Northern	July	3,496,391	+849,601	3,496,391*	+849,601	209	None
Hocking Valley‡	Aug.	288,050	+3,634	491,742*	—17,938	None	11
Illinois Central‡	Aug.	991,805	+67,175	1,760,285*	+220,882	None	109
Kansas City Southern	Aug.	378,458	—5,444	662,182*	—4,665	21	30
Lake Erie & Western	Aug.	104,277	—71,718	709,667†	—37,019	11	11
Lake Shore & Mich. So.	Aug.	1,561,026	—559,642	11,886,537†	+547,038	None	49
Lehigh Valley	Aug.	1,328,681	—151,758	2,460,871*	—419,864	...	60
Long Island‡	Aug.	566,670	+74,547	2,008,873†	+339,105	None	12
Louisville & Nashville	Aug.	1,154,635	—239,120	2,317,172*	—177,837	None	71
Michigan Central	Aug.	649,305	—347,548	6,091,987†	+89,584	None	18
Minn. & St. Louis‡	Aug.	222,431	—10,780	416,870*	—12,168	5	15
Minn., St. P. & S. S. Marie‡	Aug.	454,266	—121,328	933,020*	—140,505	12	25
Mo., Kansas & Texas	Aug.	877,358	+14,946	1,609,763*	+221,771	13	63
Missouri Pacific	Aug.	1,541,321	—11,586	3,013,332*	+11,331	None	82
National Rys. of Mexico§	Aug.	372,320	—1,783,482	417,628*	—3,038,613	1st, 57; 2d, 240	149
N. Y. Cen. & Hud. River	Aug.	3,057,210	—241,900	19,102,383†	+2,010,332	None	222
N. Y., Chic. & St. Louis	Aug.	224,701	—75,652	1,577,312†	—311,031	1st, 5; 2d, 11	14
N. Y., N. H. & Hartford	Aug.	2,086,280	—708,313	3,979,899*	—1,077,585	None	157
N. Y., Ont. & Western	Aug.	352,446	—73,347	706,370*	—137,459	None	58
Norfolk & Western‡	Aug.	859,343	—229,094	1,688,605*	—880,840	22	100
Northern Pacific‡	Aug.	1,847,358	—250,464	3,630,295*	—298,084	None	248
Pennsylvania R. R.‡	Aug.	4,226,849	—187,109	26,404,276†	+38,184	None	490
Pere Marquette‡	Aug.	183,751	—205,519	290,066*	—368,843	12	14
Pittsb., Cin., Chic. & St. L.‡	Aug.	916,680	—215,144	3,654,834†	—2,907,817	27	37
Reading Companies	Aug.	1,341,312	—919,078	2,759,512*	—1,322,407	1st, 28; 2d, 42	70
Rock Island Lines	Aug.	1,719,557	—391,021	2,936,352*	—750,557	49	90
Seaboard Air Line‡	Aug.	415,895	—4,762	844,730*	+59,896	23	37
St. Louis & San Fran.‡	Aug.	1,223,272	+127,693	2,423,727*	+407,949	1st, 4; 2d, 15	28
St. Louis Southwestern‡	Aug.	306,111	+32,883	496,385*	+12,541	19	16
Southern Pacific‡	Aug.	3,811,407	—975,092	7,228,475*	—1,761,275	None	272
Southern Railway	Aug.	1,603,194	—239,554	3,038,796*	—396,499	60	120
Texas & Pacific‡	July	218,840	+297,642	2,583,394*	—305,228	None	38
Tol., St. L. & Western‡	Aug.	150,714	+40,834	275,400*	+120,394	10	10
Union Pacific	Aug.	3,252,748	—582,645	5,950,359*	—1,254,482	99	216
Wabash‡	Aug.	743,472	—142,702	1,361,136*	—3,326	39	53
Western Maryland‡	July	155,575	+16,268	1,609,232*	—501,976	10	49
Wheeling & Lake Erie	Aug.	240,832	—96,146	416,959*	—172,298	1st, 4; 2d, 11	20

*Fiscal year ends June 30. †Fiscal year ends Dec. 31. ‡Net earnings are after deducting taxes.
§These results are in Mexican currency.

The Investment Digest

THE items below are condensed from leading financial and investment publications and from official sources. Neither "The Magazine of Wall Street" nor the authorities quoted guarantee the information but it is from sources considered trustworthy. We endeavor to present in a few words the essential facts in regard to each company. For additional earnings, see also "Bargain Indicator" and "Monthly Net Earnings."

Allis-Chalmers—DECREE OF DISSOLUTION signed by U. S. District Court, which practically closes receivership. Otto H. Falk, former receiver, is Pres. of the reorganized Co.

American Beet Sugar. — ADVANCE SALES of 1913 production amount to at least 60% of estimated total. Co. has taken this action because of large world's crop of sugar and new tariff bill. Best authorities look for low prices on raw sugars. Co. will operate but one factory in Colorado this yr., but Cal. prospects are brilliant. Expected that Co. will easily earn the 6% div. on pfd. but com. is now out of the div. class. Co. has reduced price to farmers for 1914 beets 75c. a ton to $4.50.

American Ice.—10 MOS. EARNINGS ended Aug. 31, were over $1,325,000, an increase of about $1,000,000 over corresponding mos. of prev. yr. About $1,500,000 net is expected for full fisc. yr., equal to over 10% on pfd. stock, against 2.5% prev. yr. All notes have been paid off and cash balance on hand is understood to be over $600,000. Total of 1½% divs. on pfd. have been declared for the yr.

American Light & Traction.—STEADY IMPROVEMENT is shown by recent earnings, net increasing in Aug. about 1¼%. For 12 mos. ended Aug. 31, gross increased 5.6% and net gained 5.7%. Co. is in position to warrant continuance of present 10% yrly. stock divs. on the com.

American Malt.—DIV. REDUCED on pfd. stock to 4% basis because operating Co., American Malting, reduced its semi-annual div. on pfd. from $1.55 to $1.24. Net earnings yr. ended Aug. 31 were only $403,000 against $810,000 prev. yr. American Malt pfd. is 6% cumulative and accumulated divs. are now 20%.

American Pneumatic.—DECREASE IN GROSS amounted to about $20,000 in first 4 mos. of current fisc. yr., as an indirect result of tariff revision and reluctance of business men to place contracts. Last fisc. yr. balance above div. requirements was $197,000. Hence first pref. divs. are still being earned about 4 times over and 2nd pfd. divs. are not yet threatened. No further progress in matter of selling mail tubes to government, which is still under consideration by commission.

American Public Utilities. — GROSS EARNINGS for July increased 14.3% over July, 1912; net increased 13.7%. For 10 mos. ended July, increase was 13.9% in gross and 17.2% in net. Yr. ended June 30, earnings on com. stock were 7.8%, after divs. on pfd.

American Ship Building.—PRES. WALLACE SAYS: "Marine affairs on Gt. Lakes have been poor with rates low. Co. has completed 14 vessels and has 12 more under construction. Present tonnage on the Lakes is ample but probably large amount of reconstruction work will be done during winter on the smaller and older vessels." Regular div. of 1¾% on pfd., no action on com.

American Sugar Refining.—EFFECT OF FREE SUGAR is difficult to estimate. Purely as a refiner Co. ought to profit, but it owns stocks in Beet Sugar properties which it carries on books at about $15,000,000. These holdings will depreciate, but in the meantime there will be 2 yrs. and 2 mos. under only a slight reduction of tariff, wherein situation may become clearer. Official says that free sugar would destroy industry in Louisiana and Beet Sugar industry east of Mississippi, carry prices of Porto Rican and Philippine sugars below cost of production and make Hawaiian production unprofitable. However, with production thus reduced, foreign prices would advance to a point where domestic producers could again enter the field. How long all this would require is problematical.

American Telephone & Telegraph.—CONSTRUCTION EXPENDITURES of the Bell system in 1913 will be over $60,000,000. Co. always has to carry between $75,000,000 and $100,000,000 of "advance construction," *i. e.*, laying conduits, installing switch-boards, etc., to provide for future requirements. It has been found more economical to carry this advance construction than to build in piecemeal fashion. The above $60,000,000 makes a total of $656,000,000 devoted to plant in 14 yrs. since present Co. was organized. In regard to question of Government ownership of long distance lines, a director says: "No stockholder will part with any of his property without due compensation. The value of the long distance lines equals only $14 per share on the stock, and it has already declined over 18 points from the yr.'s high price. But it is far from set-

tled that Government has any serious wish to take over long distance lines for actual operation." Pres. Vail says: "Department of Justice is endeavoring to reach a solution which will be just to the public and at the same time not sacrifice private interest."

American Woolen.—CURRENT OPERATIONS are from 65% to 70% of capacity of mills. In spite of low prices on products, response from buyers has been disappointing. However, supplies of goods on hand are abnormally low. Regular 1¾% div. will be paid on pfd. this mo. and div. question will go over for 3 mos. until next payment.

Assets Realization.—DIVS. FOR 1913 total 7%, the same as previously paid. Co. says that in view of financial depression generally evident during this yr. and consequent inability to dispose of securities, directors thought it not advisable to increase divs. over prev. yrs.

Atchison, Topeka & Santa Fe.—PRES. RIPLEY SAYS: "Look for decreases in gross this yr., owing to effect of short crop of corn on movement of livestock and general conditions. However, we expect $2,500,000 to $3,000,000 more business from Calif. fruits than last yr." He expects about the same earnings as last yr., 8.6% on the com. He adds that present situation of railroads is leading toward Government ownership and that he believes this is sure to come.

Atlantic, Gulf & West Indies.—BUSINESS UP TO CAPACITY is being done by all steamers and additional boats are needed. July net increased over $200,000 over 1912, latter having been a strike period. December 31 last, Co. had no more steamer capacity than in 1910 and only 15,000 tons more than 1909. In the interval, $5,000,000 earnings have been added. Two new boats for Mallory line will be finished in summer of 1914 and two more boats will probably be ordered this winter.

Baldwin Locomotive.—LOCOMOTIVES BUILT in history of plant, covering 82 yrs., have numbered 40,000. Of these 10,000 were built in the last six yrs. and 10,000 in the 5 yrs. ended 1907. Co. may get pending order for 100 locomotives for Penna. R. R.

Baltimore & Ohio.—BIG GROSS EARNINGS continue a feature, breaking all prev. records. Effects of the spring floods are still felt but repairs are approaching completion. Total damage about $3,000,000. For July and Aug. net earnings gained almost $500,000 over 1912.

Bethlehem Steel.—SCHWAB IS PESSIMISTIC on the outlook and this has caused reports that he may discontinue divs. on pfd. stock. This yr. Co. will show between 15% and 20% earned on com. after 5% on pfd., but most of this is going into new construction. Co.'s plants are near the Atlantic, so that they might feel competition from abroad. (See special article in this issue.)

Boston & Maine.—ANNUAL REPORT yr. ended June 30, shows largest gross in history of Co., but deficit (after 6% on pfd. and 3% on com.) was $1,324,000, against deficit of $477,000, prev. yr. after full 4% on com. Operating expenses consumed 78.5% of gross against 76.3% prev. yr. Additions and betterments were $7,993,000 against $3,350,000 in 1912. In the last fisc. yr. $2,094,000 was spent for equipment, chiefly 100 new locomotives. Management is doing all it can to improve property. Ton-mile rate, 1.054, was lowest in many yrs.

Brooklyn Rapid Transit.—BOND CONVERSIONS into stock have been nearly $5,700,000 since July 1, but even with all of the $28,901,000 convertibles outstanding July 1 exchanged into stock, Co. would still be earning on about 8% basis for stock. July and Aug. gain in net was over 10%, an increase of 1% on stock for yr. as compared with 1912. Gross for Sept. showed gain of about $65,000 over Sept., 1912.

Buffalo, Rochester & Pittsburg.—CONTINUED PROSPERITY, based largely on activity in bituminous coal trade, which furnished 8,000,000 last fisc. yr. out of total tonnage of 12,500,000. Good record of Co. was made possible by advance purchases of equipment a yr. ago.

California Petroleum. — LARGE EXPENDITURES for development will be necessary from now on. If 5,500,000 bbls. a yr. be assumed as lowest figure for output, it is estimated that 1,200,000 bbls. must be secured from new wells yrly. to make up for exhaustion of old wells. This means expenditure of $800,000 to $900,000 yrly., where management originally counted on only $400,000. This makes com. divs. impossible unless new wells show unexpected returns. Certain wells have been flooded with water and new borings have failed to yield as much as anticipated. The 7% div. on pfd. is declared to be fairly secure unless further serious troubles develop. It is reported that Co. will probably be absorbed by a foreign petroleum combination, but this is not as yet confirmed.

Canadian Pacific.—NEW LAND POLICY was announced at reecnt meeting. Shaughnessy said that on basis of $14 an acre, unsold lands are worth $88,021,000; irrigated lands should increase this by $12,500,000 and lands on Vancouver Island by $7,000,000 more. Also 600 town sites, including Vancouver, appraised at $21,500,000, making total market value of lands $127,000,000. Directors are considering conveying lands, town sites, and other interests to a Co. in exchange for all its capital stock to be held in treasury; but same end may be accomplished by creating an investment fund to be administered by trustees. It is considered probable that a bonus from sales of town sites would be available for stock some time during present fisc. yr.

Central of Georgia.—ANNUAL REPORT shows 6.5% earned on com. Surplus over charges was $1,223,000 against $1,666,000 in

1912 and $575,000 in 1911. Pfd. divs. of $900,000 were paid against none in prev. yrs. (Controlled by Ill. Central.)

Central Leather.—SHARP DECREASE in net shown in Sept. quarter, compared with 1912. However, in first 6 mos. of 1913, Co. earned 6½% on pfd., compared with div. requirements of 7% for full yr. Co. will probably earn 4% on com. in 1913.

Chesapeake & Ohio.—ANNUAL REPORT showed only 5¼% on stock, owing to unprecedented floods last Mar. and to strike of coal miners in W. Va. Nevertheless gross revenues gained $795,000 over prev. yr., but operating expenses increased $1,815,000 and taxes $361,000. Operating revenues of Co.'s Chicago Line increased 27% and its expenses decreased 8%, and $118,000 was earned toward interest on its bonded debt, all of which is held by C. & O.

Chicago & Alton.—OPERATING RATIO has been reduced to about 65% as a result of reduced freight train mileage and enlarged train loads. Road is benefiting from improvements, better terminals and new equipment. Generally believed that Co. has disposed of another block of bonds. Impression prevails that Union Pacific agreed to take $15,000,000 of the $20,000,000 authorized in June, 1912, and has acquired to date $12,500,000.

Chicago Great Western.—PFD. STOCK will be cumulative as to divs. after June 30, 1914. For yr. ended June 30, 1913, earnings were almost 3% on pfd., largest since reorganization in 1909. Current earnings, if maintained during full yr. would exceed 4% on pfd.

Chicago, Indianapolis & Louisville.—ANNUAL REPORT shows that Monon earned 3.2% on com. last yr. against 2% prev. yr. Both income and expenses increased, but surplus was considerably ahead of last yr.

Chicago, Milwaukee & St. Paul.—BALANCE FOR COMMON last yr., 8.6% against 1.5% prev. yr., was largely due to the big crops of 1912. Both gross and net made new high records. Total operating revenues, including earnings of the Puget Sound Line, were $94,084,000 against $79,255,000 prev. yr., an increase of 18.7%.

Chicago & Northwestern. — ANNUAL REPORT shows total operating revenue $83,035,000, increase of $9,337,000 over prev. yr.; net increased $3,656,000. Yr's surplus was 9.6% on com., compared with 7.5% preceding yr.

Chicago Pneumatic Tool. — 8 MOS. EARNINGS, ended Aug. 31, were considerably ahead of 1912, but Chairman McGinley says there are indications of decreased buying by railroads. No discussion of increased divs. "Money is being put back into property, where it will do stockholders the most good." (Controlled by Bethlehem Steel.)

Chicago Railways.—COST OF RENEWALS during remaining 15 yrs. of Co.'s franchise will be much less than heretofore and will be mostly paid out of the renewal fund provided from gross earnings. Only improvements which Co. will be permitted to pay for by first mortgage bonds will be extensions of the plant. Earnings July and Aug. continued to show over 10% gain from last yr.

Chicago, St. Paul, Minneapolis & Omaha.—ANNUAL REPORT showed a surplus of 8% for com. stock against 7% prev. yr. Div. requirement 7%. Maintenance increased $915,000 over 1912 and transportation costs increased $463,000. (Controlled by Chicago & Northwestern.)

Cities Service. — DIV. ON PFD. was earned twice over in yr. ended Aug. 31, for first time in history of Co. Co. pays 5% on com. stock and is now earning about 11%.

Colorado Fuel & Iron.—ANNUAL REPORT shows net income a little less than 1912. It equals 4.6% on com. after deducting 8% for pfd. Last yr. 35% back divs. were paid on pfd. but 39% remain to be paid. This may be cleared off this yr. Pres. Welborn says that not over 5,000 mine workers, or 40% of those employed in Colo., responded to strike call. Production now running 50% to 60% of normal, with conditions improving.

Colorado & Southern.—ANNUAL REPORT shows gross earnings $1,371,000, increase of $148,000 over 1912; surplus after charges was $199,000, a gain of $37,000. First 2 mos. of current fisc. yr. gross gained $303,000 over prev. yr. and net increased $41,000.

Corn Products.—EARNINGS are running about the same as last yr. Margin of profit is too small to warrant any increase in 5% div. rate. Co. is grinding 100,000 bu. of corn a day.

Denver & Rio Grande.—OPERATING ratio for 1913 was reduced to 73.6% against 76.8% in 1912. Cost of maintenance of way and structures per mile was $1,388 in 1913 against $1,255 in 1912. Total operating revenue increased $1,170,000 over 1912 while net gained about $1,000,000. Surplus for divs. was 4.2% on pfd. against 2.3% last yr., but was smaller than any preceding yr. for a decade. Gross revenues from traffic to and from Western Pacific gained 13% over 1912.

Distillers Securities.—SMALL SURPLUS was shown for yr. ended June 30, equalling 1.2% on stock against 1.6% prev. yr. Competition was keen throughout the yr., especially in the spirits department, but costs were kept down by improvements and economies in operating and distribution. All inventories have been valued at manufacturing cost to the parent Co. and have, it is stated, a market value $2,000,000 above the inventory price. (Controls U. S. Industrial Alcohol.)

Duluth, South Shore & Atlantic.—ANNUAL REPORT shows total operating revenue of $3,412,000, increase of $260,000 over prev. yr., but net operating income decreased $69,000. Deficit for yr. was $537,000 after fixed charges, compared with a deficit of $361,000 in 1912.

Erie.—OPERATING PROGRESS has produced new records in all departments as a result of recent improvements. Double tracking to Chicago not yet completed, nevertheless last yr. Co. increased its gross $6,154,000 and net $2,516,000 over prev. yr. Compared with 2 yrs. ago gross showed an increase of $2,581 per mile and compared with 4 yrs. ago it was $5,044 more. Percentages of increase in 1913 over 1909 are as follows: Total revenue per mile 23.7%; per train mile 23.3%; operating expenses per mile 23%; net revenue per mile 24.9%; per train mile 22.7%.

Federal Mining & Smelting.—FISC. YR. ended Aug. 31 showed earnings of 8½% on pfd. stock, an increase of $124,000 over last yr., in spite of lower prices for lead. This issue is 7% cumulative, 1¾% back div. being now due.

General Electric.—NEW TARIFF has reduced duties on electrical goods and will probably be reflected in lower prices. Germany is most probable source of competition. Gross sales of Co. 8 mos. of 1913 were 15% ahead of last yr.

General Motors.—READJUSTMENT OF INVENTORIES has involved charging against surplus since 1910 $9,960,000, or more than 50% of last inventory total of $18,170,000. There are now outstanding less than $10,000,000 notes, of which $2,000,000 will be paid off Oct. 1, 1914. Balance mature in following yr. Gross earnings for yr. ended July 31 were 32.3% above 1912 and 100% over 1911, while net gained 72% over 1912. If earnings are maintained on this scale, divs. on com. stock will soon be discussed.

Goodyear Tire & Rubber. — GROSS EARNINGS for fisc. yr. ending Oct. 31, 1913, will approximate $33,000,000 against $26,000,000 in 1912, with net earnings about 60% on com. stock against 53% last yr., after 7% on pfd. Capacity of plants is 10,000 tires a day, but biggest day's run this yr. was 6,921 tires. Sales for July and Aug. were 34% ahead of last yr. and operations are now on a basis of 85% of capacity. Last yr.'s div. was 12% and the same or a larger div. is probable this yr.

Great Northern.—GROSS INCREASE for yr. ended June 30 was remarkable, 18.9% —but expenses increased 21.8%. For new construction $6,050,000 was expended, for additions and betterments $5,099,000, and for equipment $8,055,000—all these items unusually large. Co. charged out of income for refunds as a result of Minn. Rate Decision $750,000. During yr. stock was increased by $21,000,000, but certificates have not as yet been issued for the additional shares, hence the earnings of 11.7% are figured on the same stock as earnings of 10.3% prev. yr.

Great Northern Ore.—U. S. STEEL LEASE ends Jan. 1, 1915. Steel Co. will this yr. mine more than the minimum of 5,250,000 tons. After above date, Gr. Northern Ore properties will probably sell ore in the market to all comers. Co. is opening up and developing mines with this end in view, which requires conservation of cash resources for the present.

Illinois Central. — IMPROVED RESULTS have continued since June 30 and restoration of 7% div. is a possibility. About 85% of the stock is now held in U. S., whereas that per cent. was held abroad a few yrs. ago. Total operating ratio last fisc. yr. was reduced from 86.5% to 82.4% and expense for maintenance of way and structures per mile was raised to $1,789 against $1,615 prev. yr. Cost of conducting transportation was $5,195 per mile, against $4,966. Revenue from both freight and passenger traffic was largest in Co.'s history. Increase in transportation expenses was due to floods in the South, increased cost of fuel, and growing loss and damage claims. It is now planned to raise the line between Mounds and Cairo, Ill., so as to prevent future damage from flood at this important point.

Interborough-Metropolitan.—FISC. YR. ended June 30, excess of receipts over disbursements was $788,000 against $2,125,000 prev. yr. Decrease was due to smaller divs. from I. R. T. Co.—12% against 16% prev. yr. Directors give no official information as to future div. policy. If divs. on pfd. should be resumed, I. R. T. would have to declare an extra div. to furnish the money. Recent sale of I. R. T. bonds was considered successful, $22,000,000 out of the $30,000,000 being sold in two days. Bankers say that bonds were bought by ultimate investors so far as it is possible to determine.

Intercontinental Rubber.—ANNUAL REPORT for yr. ended July 31 showed net profits of $205,000, a decrease of $903,000 from prev. yr. This unfavorable result was due to disturbed conditions in Mexico.

International Harvester.—BILLS PAYABLE, during 1911 and '12, increased $25,400,000, while in the same period gross sales increased $24,000,000. For each $1 of new business, Co. had to borrow $1 of new money. This illustrates the large amount of cash needed to finance an expanding machinery business. Good credit has made these borrowings easy. An official says that amount of loans is normal at present and collections are fair.

International Nickel.—CURRENT BUSINESS is well maintained and surplus for div. this yr. should exceed last yr., owing to retirement of entire bonded indebtedness, which required $445,000 for interest.

International Paper.—RUMOR OF CANADIAN PLANTS must be accepted with some reservations. Now that new tariff has eliminated all duties on news print, logical procedure would be to gradually transfer manufacturing operations across the line. Co. owns 3,500,000 acres of timber land in Canada and can make news print $5 to $6 a ton cheaper there, but reported erection of $2,-

500,000 factory near Grand Rapids is not likely soon to materialize. Supply of water power from the St. John River would not be adequate throughout the season and present financial conditions of Co. would not permit the necessary expenditures at present.

International Steam Pump.—ANNUAL REPORT will show net over $1,000,000 against $1,291,000 last yr. Co. has met many unfavorable developments in past 18 mos. Competition has been severe but price cutting is now reported to be passing. Loss of Pres. Guggenheim was severe blow to Co.

Jersey Central.—ANNUAL REPORT showed 26.7% earned on stock against 21.9% in 1912. Divs. 12% yrly. Undistributed earnings in 1913 were equal to about 3% on the stock of the Reading Co., which owns 53% of Jersey Central. Balance not paid out in divs. was applied to additions and betterments or to a reserve fund for that purpose, nothing being added to surplus.

Kanawha & Michigan.—TOTAL INCOME for fisc. yr. ended June 30 was $1,416,000 against $1,298,000 in 1912. Balance for divs. was 11.2% on stock against 10.2% prev. yr. (Contr. by Chesapeake & Ohio).

Kansas City, Mexico & Orient.—CONSTRUCTION OF BRANCH San Angelo to Del Rio is under consideration by receivers. Traffic has been unexpectedly large since connection with Southern Pacific at Alpine a few mos. ago. Reported that the Atchison is most likely purchaser of road when sale is made. Southern Pacific also may be a bidder.

Kansas City Southern.—IMPROVED PHYSICAL CONDITION of the property was an important factor toward the gross increase of $1,500,000 last fisc. yr. Operating expenses were kept well in hand, so that surplus for com. was 2.7% against 0.15% in 1912. Operating income increased 36.7% compared with an increase of 15.4% in gross —an unusual showing under present conditions. Road is now rounding out into first rate operating condition, with terminals and road bed in better shape than ever before, while elimination of curves and grades has increased tonnage capacity about 25%. Large part of tonnage is through business.

S. S. Kresge.—INITIAL DIV. of 4% for full yr. 1913 on com. is well within Co.'s means as 10.6% was earned on com. in 1912 and so far this yr. net earnings are well over last yr.

Lackawanna Steel.—SEPT. QUARTER yielded total income of $2,007,000 against $1,033,000 prev. yr. For 9 mos. to Sept. 30 surplus after charges and depreciation was $2,864,000 against $21,000 in 1912. Unfilled orders Sept. 30 were 255,000 tons against 569,000 Sept. 30, 1912.

Lehigh Valley.—DECREASED EARNINGS in July and Aug. were due to indifferent condition of anthracite market. The decline in total freight receipts was relatively much less than in anthracite tonnage, which seems to indicate that other freight is holding its own or perhaps running ahead of last yr.

Louisville & Nashville.—INCREASE IN STOCK outstanding is largely responsible for decrease in earnings to 11.6% against 15.9% prev. yr. Actual amount available for divs. yr. ended June 30 last was $8,380,000 against $9,560,000 in 1912, and gross made a new high record at $59,465,000. Maintenance charges were unusually heavy, actually exceeding transportation costs.

Maine Central.—ANNUAL REPORT shows increase in gross earnings and in maintenance of equipment. Slight decrease in maintenance of way and good increase in tons per train mile. Net after taxes $2,495,000 against $2,423,000 in 1912.

Maxwell Motor. — UNDERWRITING SYNDICATE had to take about 80% of Co.'s stock. Pres. Flanders believes div. on first pfd. will be earned this yr. with some surplus for 2nd pfd. Factories at Hartford, Conn., Auburn, R. I., and Tarrytown, N. Y., will be closed, and production concentrated at Detroit, Dayton and New Castle, Ind. Executive offices have been moved from New York to Detroit and 20 branch houses closed in different cities. Repair parts will be concentrated at New Castle. Contracts from dealers are now running about 500 cars a day and aggregate is expected to be in excess of Co.'s capacity. Production will be gradually increased so that early in 1914 capacity will equal 2000 cars a mo. and later, after alterations and extensions, 4000 a mo. Co. has no outstanding notes or past due obligations of any kind. Material and supplies are being paid for promptly and advantage taken of cash discounts.

Mexican Petroleum. — PETROLEUM TRANSPORT stock to amount of $900,000 par value is to be distributed to Co.'s stockholders pro rata. For each share of Mexican Pet. holder is entitled to subscribe to .01723 dollars of Pet. Transport stock.

Minneapolis & St. Louis.—SURPLUS last fisc. yr. was $451,000 against deficit of $667,000 in 1912. This equalled 7.6% on pfd. stock. Big crops were main factor in improvement but merger with Iowa Central improved transportation conditions. Current earnings are now holding their own with last yr. It is still too early to discuss divs. on pfd.

Minneapolis, St. Paul & S. S. Marie.—FISC. YR. ended June 30 was best in history owing to improved commercial and agricultural conditions. Expenses increased more than half the gain in gross, but heavy charges were made to mainteance. Surplus for divs. gained 30% over 1912 and equalled 18.4% on com. stock against 13.6% in 1912. Wisconsin Central, which is Chicago division of the Soo, gained 14% in

gross over prev. yr. with operating ratio 66.2% against 69.3% in 1912. Earnings were 4% on com. against .33% prev. yr.

Missouri, Kansas & Texas.—PANAMA CANAL may aid this road by opening new lines of traffic. It is argued that interior will reach Pacific Coast via Panama and North and South lines instead of over East and West lines. For example, low priced water transportation may result in shipments St. Louis to San Francisco and Los Angeles by Galveston or New Orleans and thence by water. Cost of water transportation averages about 1/6 as much as by rail.

Missouri Pacific.—INDEBTEDNESS TO GOULDS has been cleared off. 4 yrs. ago loans were $14,417,000, but last an. report shows only $425,000 notes payable and most of this has since been paid off. Co. now has no floating debt and Bush management has brought surplus up to $1,500,000 in 1913 against deficits of $5,000,000 in 1911 and $2,000,000 in 1912. In 2 yrs. Co. has re-ballasted 1250 miles, widened cuts and fills on 1221 miles, laid 19 miles with new 100-lb. rails, 262 miles with new 90-lb. rails, 320 miles with new 85-lb. rails and 75 miles with released 75-lb. rails. All main lines have been equipped with block signals, 2,155 miles of telephone circuits installed, telephone train dispatching on 923 miles; 7 Mountain Type locomotives bought, 55 Mikado locomotives, 19 Pacific locomotives, 1 Mallet, 5,400 steel underframe cars bought. Gross revenue per train mile has increased 13.1% and operating ratio decreased 10.2%.

National Railways of Mexico.—ANNUAL REPORT showed deficit of $465,000 after deducting 5% of net profits for reserve funds, and pfd. divs. amounting to $1,153,000, against surplus of $53,000 prev. yr., reducing profit and loss surplus June 30 to $98,000.

New York Connecting Railway.—BRIDGE NOW BUILDING across Hell Gate by this Co. will join New Haven and Pennsylvania systems and will cost over $20,000,000. Of this amount, $7,700,000 have been expended to June 30 last. The two Cos. guarantee all debts, principal and interest, each owning 50% of stock, for which par in cash was paid into treasury.

New York, New Haven & Hartford.—CURRENT EARNINGS are at the rate of about 4% on the stock. July and Aug. showed reduction in net of $1,318,000 after taxes, which is on the basis of $27,000,000 yrly. against interest charges of at least $20,000,000, leaving divisible balance of $7,000,000 on $157,000,000 New Haven stock. Co. has $42,000,000 floating indebtedness. Gross revenues are showing signs of recession, Aug. receipts having been $310,000 behind last yr. Mass. Public Service Commission has finally authorized Co.'s issuing $67,000,000 debenture bonds, which will give much needed funds for improvements.

New York, Ontario & Western.—OPERATING RATIO showed remarkable decline, being 71.2% in 1913 against 78.9% in 1912. This is lowest since 1909. Gross earnings gained $926,000 but expenses were kept down to same level as prev. yr. Maintenance of way and equipment was slightly less, but appears to have been sufficient. Balance for com. 2.1% against 0.8% in 1912.

Norfolk & Western.—INCREASE IN STOCK outstanding to $100,133,000 against $85,653,000 in 1912, as result of conversion of bonds, prevented per cent. earned on stock from advancing materially above 1912. Exact figures are 10.6% for 1913 and 10.3% for 1912. Cost of operation was slightly higher than 1912, operating ratio being 65.3% of gross against 64.6% prev. yr., but this increase was largely due to heavier maintenance charges. Increase in direct cost of moving traffic was slight in spite of adverse conditions. Co. has ordered 24 electric locomotives from the Westinghouse Co.

Northern Pacific.—BIG MAINTENANCE EXPENDITURES were a feature of last fisc. yr. Increase was over 24%, gain in gross earnings having been about 14%. The big earnings were seized upon to fatten the property. Expenditures on maintenance of way were 30% over prev. yr. In all, maintenance took 25.7% of gross against 23.7% in 1912; nevertheless balance for divs. was 8.7% on stock against 7.9% in 1912. Practically all the gain in gross came from freight revenues. Passenger earnings showed only small increase owing to sharp competition. Joint ownership of the Burlington road is an important element of strength, as latter Co. earned 12% to 14% on its stock against div. requirements of only 8%.

Pacific Mail.—CO.'S FUTURE will soon be decided by conference with directors of Southern Pacific. Question is whether Co. will continue to operate in connection with So. P. in spite of refusal of government to permit railroad-owned steamships to use Panama Canal. If So. P. retains the steamship Co., vessels will probably be converted into oil burners.

Pacific Telephone & Telegraph.—Pres. McFarland testified before Cal. Railroad Commission that reproduction cost of Co.'s property in Cal. was approximately $51,000,000 and present value of holdings about 85% of that amount. He stated that if Commission's proposed rates went into effect Co. would earn only 2¼% on above valuation. He said $4,000,000 would be expended on construction in Cal. during 1913.

Pennsylvania Railroad.—SALE OF ANTHRACITE PROPERTIES will not seriously affect earnings, as these properties have not been directly profitable. Whatever benefit Co. has received from them has been indirect. They comprise about 9% of total U. S. anthracite production. Co. is understood to be in the market for 100 loco-

motives. Last fall an order for 144 was placed with Baldwin Co. and work on it is still under way.

Peoples Gas.—INCREASE OF STOCK from $35,000,000 to $50,000,000, additional stock to be offered at par to stockholders on basis of 10% of present holdings, has been announced. Also regular div. rate is to be increased to 8%. Co. has in hand improvements and extensions calling for ultimate expenditure of over $40,000,000. New plant will take about $25,000,000 and other extensions nearly as much more. Co. has outstanding about $43,000,000 bonds and could issue $2,000,000 more under present refunding mortgage. Probably a new mortgage will be authorized to provide for future needs.

Pittsburgh Coal.—ACCRUED DIVS. on the 7% pfd. are now $10,800,000. Earnings last yr. were the best since 1907 but equalled only 7.5% on the pfd. so there seems little chance of paying off back divs. out of earnings. Issue of bonds to cover back divs. has been discussed, but this might place Co. in a dangerous position through increase in fixed charges.

Pittsburgh Steel.—SURPLUS FOR YR. ended June 30 was equal to 11.4% on pfd. stock against 12.4% prev. yr.

Reading.—EARNINGS DECLINED during 2 mos. ended Aug. 31 as a result of sharp decrease in anthracite shipments. However, returns compared favorably with same mos. of 1911 and 1910. Reading's merchandise traffic is becoming a larger and larger factor in its earnings. For the remainder of the yr. anthracite movement should hold its own with last yr. Co.'s income account last fisc. yr. shows 16.8% for stock but permanent improvements on the road charged to income, surplus earnings of Reading Iron Co. and Reading's equity in large surplus of Central of N. J. would swell the per cent. on the stock to about 24%.

Republic Iron & Steel.—BUSINESS BOOKED guarantees full operation to Nov. 1. There is no basis for reports that pfd. div. will be cut. Earnings for 1913 will be more than double div. requirements. Working capital is about $13,500,000, which is in excess of Co.'s bonded debt.

Rock Island.—ANNUAL REPORT of C. R. I. & P. Railway (which is parent Co.'s source of income) shows 5.4% earned on stock. Gross increased 10.3% over prev. yr. while operating expenses grew 12.3%. Property investment account increased $9,500,000. Gross earnings first 3 mos. of current yr. were nearly $400,000 below 1912, when business was exceptionally good. Surplus for divs. these 3 mos. was probably not more than 2/3 of div. requirements for the period.

Rumely.—READJUSTMENT OF OPERATIONS has been going on during 3 mos. since present management took control and current net assets are now $19,000,000 against $12,000,000 at end of 1912. Net quick assets now equal par for Co.'s $10,000,000 notes and $90 a share for pfd. stock.

Sears-Roebuck.—SEPT. SALES showed an increase of 38.3% over last yr. Sales for 9 mos. were $64,648,000, an increase of 13.8% over 1912.

Southern Pacific.—DECREASES of $194,000 in gross and $1,544,000 in net were shown for first 2 mos. of current fisc. yr. Net after taxes lost $1,761,000. Department of Justice has appointed a special attorney for the purpose of preparing and prosecuting the Government's action against the So. P. to compel it to dispose of its holdings of Central Pacific. Should So. Pac. sell its Central Pacific it would only do so at a satisfactory price. The Cent. Pac. is in demand and while U. P. is the natural buyer it is hardly probable that it would be permitted to obtain the property without competition. Should sale take place suggestion was made in several quarters that it would likely lead to reports of melons by So. P.

Southern Railway.—BLANKET MORTGAGE of $300,000,000 is planned to cover existing bonded debt and provide funds for future growth of Co.

Southern Steel. — NEW PLANT is planned, which would eventually cost about $5,000,000. It will be located on a tract of about 8,000 acres, near Mobile, recently purchased, and will have initial capacity of 1,000 tons of steel a day. Co. is reported to have purchased 50,000 acres of ore land in Cuba.

St. Louis & San Francisco.—JUDGE SANBORN has granted receivers permission to pay $1,500,000 principal and interest on bonds and mortgages and for extensions and expenses. For 12 mos. ended June 30, 'Frisco's gross earnings increased 9.5% and net gained 15%. This showed ability to keep down expenses.

St. Louis Southwestern.—ANNUAL REPORT for yr. ended June 30 was best ever issued by Co. There was a healthy increase in business, traffic was handled more economically and liberal expenditures were made for maintenance. About 9½% was earned on pfd. stock against 8.1% in 1912. Gross earnings increased 10.4% and total income increased 14.7%, as a result of more economical movement of traffic. Expenditures for upkeep charged to operating account absorbed 30.9% of operating revenues against 30.3% in 1912.

Tennessee Copper.—SULPHURIC ACID production is at rate of 18,000 to 20,000 tons a mo. Co. has not cancelled its contract with International Agricultural Chemical nor made any change in contract price. Co. is now making good profits on its copper output. Development of iron-ore deposits is being held in abeyance.

Twin City Rapid Transit.—DIV. PROSPECTS are thought to be improving and

7% on the com. is hoped for before long. Estimated earnings for 1913 indicate surplus for stock about $251,000 over last yr. or at rate of 12% yrly. on stock.

Union Pacific.—NO EXTRA DIV.—Chairman Lovett issued the following statement: "Question of disposition of large cash fund realized from sale of So. P. stock and of certain other assets has received careful attention. Conclusion was that it is inexpedient to deal with this subject at present. None of various plans considered contemplated any division of surplus either in cash or securities which in its result would have increased present yield of the stock."

United Cigar Stores.—SELLING CANDY will be tried in a number of Co.'s stores in N. Y., medium priced candy in boxes being placed on sale at a price close to cost. Officials state that they hope Co. can increase its profits and at the same time attract new customers to its stores. The new soda fountain department is so far successful, but has not yet passed the experimental stage. Sept. sales of Co. increased $225,000 over last yr. and 9 mos. sales gained $2,450,000.

United Dry Goods.—SIX MOS. ended July 15 showed net income just equal to pfd. and com. divs. This was a decrease of $44,722 from 1912.

United Fruit.—EXTRA DIV. of 2% payable in cash Nov. 1. Yr. ended Sept. 30 was highly successful, with net profits between 14½% and 15% on the $36,594,000 stock. Co. has 4 sources of profits: Fruit earnings, sugar profits, miscellaneous income and merchandise business. Miscellaneous income in last fisc. yr. was about $1,000,000. The merchandise business is credited to banana operations, so that amount of profit does not appear in published income account.

U. S. Cast Iron Pipe.—LOUISVILLE PROPERTY will not be sold immediately but plants will be kept in condition to permit resumption of business should conditions warrant. Decision to suspend work at Louisville resulted from shortage of orders and unfavorable location of city for iron industry.

U. S. Industrial Alcohol.—REGULAR DIV. of 1¾% on pfd. stock, payable Oct. 15. Co. is controlled by Distillers Securities and receipts from this div. are badly needed by that Co.

U. S. Realty.—CURRENT BUSINESS indicates earnings equal to yr. ended Apr. 30 last, according to Chairman Black. He does not agree with those who declare that building operations in lower Manhattan have been too extensive to permit satisfactory profits. Earnings last fisc. yr. were 9.2% on stock.

U. S. Rubber.—PRES. COLT says: "Business of Co. first 8 mos. of 1913 exceeds 1912 and notwithstanding recent falling off in sales, indications are that the entire yr. will be better than 1912."

United States Smelting.—PURCHASE OF Last Chance group of 14 claims from the reorganized Nevada-Utah Co. has been announced, presumably for about $100,000. This property adjoins both the United States and the Utah copper mines and has produced $1,500,000 ore.

U. S. Steel.—NEW BUSINESS is coming in at rate of 60% to 70% of capacity, or about 32,000 tons a day against shipments of 40,000. It is expected that earnings last half of 1913 will be much smaller than first half. Third quarter is estimated at about $38,500,000 and fourth quarter may not exceed $34,000,000. This would make total for yr. $148,000,000, giving a surplus after divs. of $35,000,000 or $40,000,000. This would be just about enough to cover new construction, on the same basis as heretofore.

Virginia Iron, Coal & Coke.—ANNUAL REPORT for yr. ended June 30 showed gross earnings of $4,331,000 an increase of $1,438,000 over prev. yr.; total income $616,000, gain of $304,000. Deficit for yr. was $38,000, against $373,000 prev. yr.

Vulcan Detinning.—PFD. DIV. PASSED owing to poor business during last half yr. Accrued divs. on pfd. now amount to 22¾%.

Wabash.—RATE REDUCTIONS west of the Mississippi will cost the Co. at least $250,000 gross in current yr., according to Receiver Delano. He says: "This rate reduction has been put into effect on local rates, but roads have not yet adjusted inter-state rates to meet local conditions. This will mean that local arbitraries and differentials between cities in this territory will have to be done away with. When these inter-state adjustments are made, there is every prospect that rate chaos west of the Mississippi will result. In respect to Wabash, new equipment, second track and other facilities may absorb loss in revenue caused by rate reduction. Plans for reorganizing the property are moving slowly but surely. Further improvements will be needed and reorganization will logically provide them. Last yr. facilities increased 10% but traffic increased 12%.

Western Pacific.—FISC. YR. ENDED June 30 was most successful in history of Co. Gross increased 17.4% and net after expenses and taxes gained 72%. Balance available for fixed charges was, however, $1,441,000 short of interest requirements on first mortgage bond, Denver & Rio Grande, which guarantees this interest, had just enough surplus to take care of the Western Pacific deficit, after charging out $389,000 for improvements and $247,000 for renewals.

Western Union.—FISC. YR. CHANGED to end Dec. 31, and next annual report will cover the calendar yr. 1913. For yr. ended June 30 earnings were 3.1% on stock against

5¼% prev. yr. Gross earnings increased $4,700,000 but operating expenses rose $7,000,000 owing to increased wages and big expenditures for betterment of property and service.

Westinghouse Air Brake.—ANNUAL REPORT for yr. ended July 31 showed increase of $1,579,000 in surplus after depreciation. Surplus equalled 26¾% on stock against 20% prev. yr. During yr. cash divs. were $2,985,000 and $1,172,000 stock was issued.

Westinghouse Air Spring.—NEW TYPE OF SPRING for use of motor trucks and heavy omnibuses has been developed by this Co. in past yr. These air springs have been tried out on buses in Pittsburgh and have proved popular. Vehicles ride more comfortably and wear better and speed can be increased 20% to 30% as compared with vehicles using steel springs alone. They are also less destructive to roads.

Westinghouse Electric.—ORDERS ON BOOKS are sufficient to carry Co. through to Mar. 31 next, even if no additional business were taken. Net earnings 5 mos. ended Aug. 31 were at rate of 12¼% on com. stock, against 8.2% prev. yr. Co. paid $250,000 collateral trust notes Sept. 27 and extended $1,250,000 for 9 mos.

Mining Stocks

This section of the Investment Digest includes some of the more important properties, in regard to which authentic and trustworthy information has appeared during the month.

Alaska Gold Mines.—Co. had a cash balance of $2,756,259 on July 15. Co. will treat upwards of 20,000 tons per day, or 7,000,000 tons per an. Within last few mos. it has been determined that Co. will make a radical departure in treatment of low-grade, gold-bearing ores, which has been thoroughly proven, and which will extract a very high percentage of the gold values of the ore.

Anaconda-Amalgamated.—Anaconda declared the usual quarterly div. of 75c. a share. It calls for $3,249,376, of which $2,389,352 will be paid to Amalgamated as the owner of 3,185,802 shares of Anaconda. The div. just declared will make a total of $13,033,184 that Anaconda has paid to stockholders this yr. and $82,044,888 since organization. Paying $3 and selling around $37, the stock now yields 8.10% as an investment. Anaconda has issued statement showing that 1903 to 1913 inclusive, the Anaconda and North Butte Cos. paid a total of $2,001,504 in taxes in the state, on net proceeds of mines alone valued at $83,053,068. Anaconda tax in Silver Bow County (Butte) alone amounts to more than $1,000 a day. Since organization, Amal. has paid its shareholders a total of about $80,000,000, or an average of about 4½%.

Braden.—Report of Co. for Sept. shows, in underground development, No. 2 Fortuna Tunnel advanced 167 ft., the average for entire distance being 3.43% copper. Total copper for concentrates for mo. was 1,980,000 lbs., while copper produced in blister was 1,332,000 lbs. Results obtained in old mill has shown decided improvement. While saving is below expectations, 71.20% is encouraging; grade ore on which this recovery was made was below average of the mine. Engineers say when new method has been adjusted, extraction will be 75% on average grade ore.

Chino's output for Sept. was 4,435,873 lbs., which completes the most successful quarter in Co.'s career. Co. has gained 50% over corresponding quarter of prev. yr. and has established an output of 15,000,000 lbs. per quarter, or 60,000,000 lbs. per an. On an average cost of 7½c. Chino should be able to earn almost $6 a share on a 17-cent metal market. Paying $3 a share and selling at $42, the stock now yields 7%.

Goldfield.—Co. reports for Aug. 32,119 tons of ore mined and net earnings $194,000. Co. recently suffered a loss of $10,000 on account of damage by cloudburst, but damage was repaired with only a few hours interruption to operations. Co. is said to have a larger tonnage of ore in sight than for some time past. The preliminary statement for Sept. shows net earnings of $152,000.

Granby Con.—Report for yr. ended June 30 shows operating profit $1,214,599, or $8 per share, against $583,379, or $3.90 per share, in prev. yr. Interest on bonds in 1913 brought final net down to $7.50 per share. Costs were reduced more than a half-cent per lb., or from 11.1c. to 10.6c. In 1912 Co. charged $979,461 to its Hidden Creek investment, that amount having been expended out of treasury surplus. In 1913 no charge was made to Hidden Creek investment, expenditures on equipment having been paid from proceeds of bond sale. Investment at Hidden Creek past yr. amounted

to $1,058,724, and altogether this property and equipment was $2,038,035 at end of fisc. yr. On June 30 Co. had a surplus of cash and quick assets over current liabilities of $2,587,-924, equal to $17.25 per share on its stock.

Greene Cananea.—Co. in Sept. made an output of 3,148,000 lbs. of copper, a total of 33,525,100 lbs. for the 9 mos. since Jan. 1. This compares with 34,442,000 lbs. in same period last yr. Silver output thus far this yr. has been 1,015,813 ozs. against 1,010,843 ozs. last yr.; gold this yr. 5,406 ozs. against 5,126 in 1912.

Kerr Lake.—Annual report for fisc. yr. ended Aug. 31, 1913, shows production of 2,-109,975 ozs. silver at cost of 21.39 cents per oz. The ore reserves at end of yr. were 6,019,300 ozs. against 6,660,091 yr. previous. The operating Co. reports net profits of $837,315, against $769,175 in preceding yr. and $937,379 2 yrs. ago. Divs. aggregated $600,000 against $762,000 a yr. ago, and $1,338,000 2 yrs. ago. At end of yr. operating Co. had cash and quick assets of $821,092 in excess of current liabilities.

La Rose Consol.—Production in Aug. was 226,267 ozs. of silver, having a value of $133,-497. Sundry income $3,790, making a total of $137,287. Market and operating expenses were $57,142, leaving net profit for the mo. $80,145. Cash surplus on Aug. 31 was $1,-500,148, and ore on hand and ready for shipment, $306,055. Current liabilities $26,079, leaving net surplus $1,780,124. Co. declared the regular quarterly div. of 2½%, payable Oct. 20.

Mines Co. of America.—It is understood that Co. has been forced to close down all Mexican properties with exception of the Creston-Colorado. Last yr. Co. suspended divs. for a time, but resumed early this yr. Co. had surplus and reserve of $2,579,107 on June 30. At meeting no action was taken on div. of 1¼%, which is due to be declared at this time.

North Butte.—Underground developments have been extremely satisfactory, good ore has been found in places where formerly sought in vain. Ore continues to yield better than 60 lbs. of copper per ton, but of late the silver values have been running higher than usual. Net copper costs are close to 9c. Co. could increase div. rate, but will build up a strong cash reserve so that no change from present $2 div. will occur. Co. will increase its mineral area to the extent of about 1,000 acres, payment for which will be made in new stock.

Nipissing.—Report as of Sept. 20 shows: Cash on hand, $1,192,297; ore and bullion in transit, $24,245; ore on hand, $182,980—total, $1,399,522. Co. declared regular quarterly div. of 5%, and 2½% extra, payable Oct. 20. Books reopen Oct. 18.

Pearl Lake (Porcupine).—The delay in building mill is a simple business proposition, which will result in saving a large amount of cost of winter work. The financial conditions are O. K. Money has been provided to care for necessities, and during winter, development work can be pushed to the 1,000-foot level and taking all veins on the crosscut from this will bring into actual reserves many hundreds of thousands tons of ore. The only indebtedness is owing Pres. Cartwright, who agreed to take full amount out of earnings after mill has been built and all other indebtedness paid.

Quincy.—With payment of div. Sept. 29, Co. had disbursed $30,842,500 since 1862. Despite total copper production of over 500,-000,000 lbs., mine should still have before it a long life, as Co. has yet untouched an area of 1,260 acres. In 1890 Co.'s holdings consisted of but one section, and since that time it has acquired 5½ sections, the whole forming one tract. This longevity makes Quincy one of the greatest of Mich. copper mines.

Ray Consol.—One yr. hence. Co. should be producing at rate of 70,000,000 lbs. of copper annually at a cost of 8½c. a lb. With copper selling at 17c. this would give earnings of $3.75 a share, and sufficient ore already demonstrated to last for 26 yrs.

Shannon.—The output for Sept. was 1,232,-000 lbs. of copper, compared with 1,248,000 in Aug. Co. also produced 213 ozs. of gold and 9,000 ozs. of silver during Sept., compared with 252 ozs. of gold and 8,750 ozs. of silver in Aug.

Utah Copper-Nevada Con.—Utah Copper has demonstrated its ability to produce—including its half ownership of Nevada Con.—157,500,000 lbs. of copper an. at cost of 7½ to 8 cents a lb. Careful calculations, which includes every item of operating expenses, indicate that average cost throughout entire life of property will not exceed 7c. a lb. Nevada Con. produced in first half of this yr. 34,452,111 lbs., which is at rate of 65,000,000 lbs. annually. Production for whole yr. should amount to 66,000,000 lbs. or 33 lbs. for each share of issued capital stock. There is sufficient ore in the property to supply plant to full capacity for 14 yrs. and a prospect that sufficient more will be developed to last 3 or 4 yrs. longer. Co. has a large treasury surplus, and a railroad property worth several million dollars after all the ore in property has been exhausted.

Copper Notes.—Copper Producers Statement for Sept. showed a decrease in copper stocks as of Oct. 1 of 8,520,943 lbs.:

	Pounds.
Prod. during Sept.	131,401,229
Stocks on hand Sept. 1	38,314,037
Total	169,715,266
Deliv. during Sept.	139,922,172
Stocks on hand Oct. 1	29,793,094
Decrease in stocks	8,520,943

Decrease in European stocks of 9,000,000 lbs, brings total world's visible supplies down to approximately 82,000,000 lbs.

TRADERS DEPARTMENT

SPECULATION: Operations wherein intelligent foresight is employed for the purpose of deriving a profit from price changes

My Experience in the Market

By R. F. WELLINGTON

(Fourth Article)

THE other idea is based on something the same principle, but differently applied.

Every tyro soon learns that in a genuine bull market the volume of business increases on the advances and tends to fall off on the declines; while in a bear market the reverse is, in the main, true—trade gets lighter on advances and heavier on the breaks.

If this is so, why can't the principle be applied systematically? Why not count up the volume of sales on every one-point advance, for example, and on every one-point decline, and see which is the heavier, thus gauging the trend of prices?

The answer to this is that prices may advance one point in ten minutes, and then take two days in declining a point, so that the point decline will include many small zig-zag fluctuations. That is, your decline would include a number of small advances, which would be counted on the down side because they did not extend to one point. It would seem as if this difficulty might be got around in some way, but I have never been able to do it.

A variation of the idea is to base your count on intervals of time, instead of on prices. For example, you may record the volume of some stock during a period of ten minutes, and then review the price movement and see whether it has been in the main up or down. Then you go on comparing each ten minutes with the preceding intervals of ten minutes.

This works better than when you use prices alone, but isn't much of a success nevertheless. For one thing, business is usually a good deal heavier during the first hour than in any later hour, and also of a different character, including a much larger proportion of commission orders and less of the "swapping" operations of the floor traders.

Again, this hour-to-hour business is affected by the items of news that appear on the page ticker; and in general is likely to be influenced by many trifling considerations that have nothing to do with the main trend of prices.

I notice that Mr. Scribner Browne, in the articles he is now contributing to THE MAGAZINE OF WALL STREET, lays considerable weight on the volume of sales from day to day. I have also found this of some service, but the novice should be warned that a great deal of judgment has to be mixed with any such method of interpretation. The volumes merely indicate a temporary speculative or technical condition, and may be reversed at any moment. And it is a difficult art to interpret them successfully.

* * *

ANOTHER mechanical idea that appeals to many people is the plan of workings on "new highs" and "new lows." Perhaps this method is more generally studied than any other. A leading Wall Street daily makes frequent editorial comments along this line which are really nothing more nor less than an attempt at "chart-reading."

The principle is this: When the mar-

ket has been swinging within a narrow range for some time, and then prices break out of the rut either up or down, the movement is likely to run for some little distance and generally to continue until the same indication points to a reverse movement.

This idea has never at any time appealed to me strongly, because the operator who works on it must necessarily always buy on bulges and sell on breaks. This is contrary to common sense.

For example, suppose prices decline, then swing over a range of three points for some time, then start up and advance seven points from the bottom; then again follow a three-point channel for a time, and finally break out of that channel and decline. The operator would buy about three and one-half points above the bottom and he would sell about three and one-half points below the top. If he got any profit at all out of the seven-point movement he would be lucky.

He would have to get a ten-point movement in order to make a three-point profit, even when he was right. Since he would probably be frequently wrong, he would work under a heavy handicap.

There is something in the idea, probably, but the market makes so many false starts and there are so many loopholes for mistakes in the practical application of the plan, that it seems to me to have but little value. It's like all the rest of these mechanical schemes—you have to have so much judgment in order to use it profitably that you might about as well depend on your judgment in the first place.

* * *

ALL I have ever got out of any such plans as those mentioned above has been a familiarity with the technical conditions of the market. As a result of this knowledge I have been able to make some money in stocks; but I would probably have made more and got to making it more quickly if I had never heard of any of these patent schemes.

Almost everything is subject to some one or more broad general principles which may be studied out and applied in some practical way; but so far as I have discovered down to date, stock speculation is an exception. The common explanation which will be at once suggested by the average observer is "manipulation." He will tell you that speculative stocks are run up and down at the caprice of the big operators.

Perhaps this is true—certainly I could not dispute it on the basis of any personal knowledge. Or it may be that the "psychology of the crowd" is so absolutely erratic that it is subject to no general controlling principles. Or again one might say that the speculative movements of prices are really at the mercy of fortuitous events, happening practically by accident all over the world—that is, by accident in the sense that the ordinary observer cannot predict them.

Whatever the reason, either there is no such controlling principle in speculation, or if there is it has eluded me and all the other students whose efforts have come within my knowledge.

* * *

THE only way I have ever made money in stock trading is to work on the principle of averages. Whenever I make a trade I do so in the full recognition of the fact that I am likely, or at least liable to be wrong.

I reason in this way: There are necessary limits to the movements of prices. The stock of the Reading road, for example, could not very well sell below par under anything like present conditions. On the other hand, it could not well sell at 250 under present conditions. If, then general conditions appear to be fairly good, every ten points that Reading declines add to the probabilities that it will soon turn upward. Or, if there has been no apparent improvement in general conditions, every ten points that it rises increase the probability that it will soon turn downward again.

I use this merely as an extreme example. An actual examination of price movements over a series of years shows that prices really do move within much narrower limits than I have mentioned.

Suppose, then, that during what I believe to be a bull market Reading declines sharply and comes to a pause, the trade in it falling off to small proportions. I figure that the chances favor an advance

from that point. I therefore buy a small amount of the stock, and if the decline is renewed I close out at a small loss. Another decline of perhaps five points ensues, again followed by a pause and dull markets. I reason that the chances for an advance are now better than they were when the price was five points higher, and try it again. Perhaps I might have to try a third or even a fourth time, but my chances are constantly improving.

What I am really doing is to make a series of guesses, on each one of which I believe at the time that I have a better than even chance; and I try to make the guesses in such a way that my chance on each one is a little better than on the previous one.

* * *

TO go a little more into detail, suppose that I believe we are in the midst of a prolonged bear market. Such a market will be interrupted by rallies from time to time, running five points or more for the active stocks, and usually lasting at least a week or ten days—often longer, of course.

When such a rally occurs I am looking for the top of it. When the buying power seems to die out and prices come to a standstill or begin to "wobble," I sell short with a stop one-half to one point above the previous high price. (I am aware that the above will not help the novice to locate the exact point at which to sell. Every trader has to use his own methods about that. I am merely describing the general course of my operations.)

If my stop is caught I try again. Sometimes I get left and the market goes down without me, but usually I manage to get short before the rally ends.

After the market starts strongly downward, I protect my trade by a stop one-quarter below the point where I sold short. Then I forget the trade until I see some signs that the bear market *may* be over. Sometimes, of course, my stop would be reached by a second rally running a little higher than the first one. But in that case I am then busy looking for the top of the second rally.

When I think the bear market *may* have culminated (I am never sure of it until after the upward movement gets started), I close all my short stocks. Then if I conclude that it was a false alarm and we are having nothing but another rally in a bear market, I put my short line out again.

I rarely succeed in buying stocks for long account at the end of the bear market. About the best I can do is to cover my shorts somewhere near that point—"somewhere near" being a very elastic expression. But during the first upward movement of a bull market I usually discover that the trend has changed. Then I begin feeling for the bottom of the reactions, by practically the same method described above in locating the tops of rallies in a bear market.

It may be asked how I discover that the trend has changed. In this way: When a prolonged bull or bear market—by "prolonged" I mean six months or more—reverses its trend, the first movement in the opposite direction is very sharp and on large transactions. I don't mean the first day necessarily—it may take the new trend a few days to get going—but the first short swing, as we might say.

The above is not very definite. But if you will take a diagram of any averages representing the movements of the market day by day, accompanied by the daily volume of sales covering several years, and examine the action of the market at the ends of the prolonged movements, comparing those with the short intermediate rallies and reactions, you will probably see what I mean. The market has a different "tone," as one might say, when it is moving *with* the trend.

* * *

THE above paragraphs are far from being an effort to tell anybody how to do it. They are merely a rough description of the way I, personally, go about it. I suppose success in this line, as in almost every other, depends on individual aptitude.

As to the results I have obtained, they are not nearly so good as I feel they ought to be, but I nearly always have the balance on the right side of the ledger at the end of a year's trading, and they are good enough to encourage me to keep at it. I will gladly answer any questions, if readers wish to ask them.

(*The End.*)

Analysis of Recent Market Conditions

An Experienced Trader Shows How the Temper of the Market Was Gauged from Week to Week

By SCRIBNER BROWNE

OUR view of the market last month ended with the sharp advance of September 12. I said then that I thought the "lifting power" of the market had gradually decreased, and that the general impression made on me was of a possible culmination of the movement at an early date.

In that view I proved to be correct. But I also said that the beginning of a bear movement would almost certainly be shown by declining prices on heavier transactions, and in that I was wrong. The market, as shown in the graphic herewith, eased off slowly on small transactions, and it was not until September 30 that any real increase in liquidation on the declines was noticeable.

"I am told," as the phrase goes in Wall Street, that up to September 29 the Union Pacific directors fully expected to declare some kind of an extra dividend, and that their plans were upset on that date by the opposition of the Attorney-General. One never knows much about the accuracy of such reports as this, but in view of the action of the market I am inclined to believe the story in this instance. At any rate, if true, it would account for the fact that liquidation did not begin in any heavy volume around the top figures, but began to appear about September 30.

* * *

DISTRIBUTION, if we use the common term—or realizing by large investors—evidently began with the large volumes of August 12 and 13, a little more stock was marketed during the four days beginning August 28, and still more October 10 to 19. But the activity was unusually light for a bull market which had been in progress for three months. This leads me to feel some lingering doubts, even after the decline that has followed, whether we have really embarked upon a prolonged bear market.

It seems to me that there is quite a possibility that we might run into a period of dullness followed by another advance to about the same level as was reached in the middle of September.

Another indication that points in this direction is the small volume on the rather sharp decline which began October 3. Down to October 11 we had eight days of almost continuous decline, yet on only one of those days did the transactions exceed 400,000 shares, and that day was not a particularly weak one. These small transactions look more like professional operations than like any heavy liquidation by investors.

Again, this last decline has run in a very narrow "channel," as shown by the light diagonal lines. That is not characteristic of heavy liquidation. If it is to be a prolonged bear market, it starts off like a dull and dragging one, likely to be interrupted by frequent rallies.

* * *

ASIDE from the fact that liquidation did not increase on the declines, the markets during the last half of September showed the usual evidences of distribution. First one stock and then another was taken in hand and shot up on rumors, while the rest of the market either trailed after in a very languid fashion or refused to follow at all.

There were melon stories on four stocks—Union Pacific, Reading, Canadian Pacific and People's Gas. The only one that made good was the People's Gas. All this was ample warning that distribution was in

progress; but if there was any indication of the exact turning point I wasn't smart enough to see it. I was looking for a little more fireworks before the decline began.

Said fireworks didn't come off. Whether this was due to the failure of the Union Pacific melon scheme or to the indifference of the public, or the increase in the Bank of England rate to 5 per cent. October 2, or to all of these put together; or whether the fireworks have been postponed until after January 1, when the money markets may naturally be expected to become easier—on these points your guess is as good as mine.

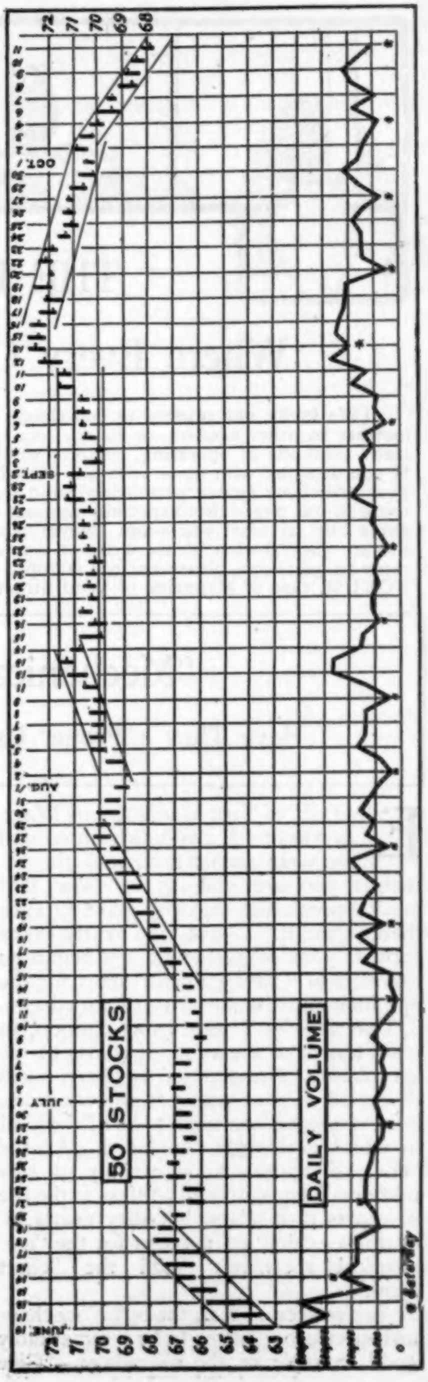
* * *

SINCE September 30 the course of the immediate market has been downward plainly enough. While liquidation has at no time been heavy, it has increased on the declines, as the volume line shows clearly.

In view of the narrowness of the market, the comparatively low level of prices—which are now almost back to where they started from July 16—and the light volumes on the whole of this last decline, I am inclined to feel that we should get at least a sharp rally pretty soon. But down to the moment of writing there are no definite indications of a turn for the better.

Steel common has been showing considerable resistance to the decline in the rest of the market for several days. This is important because Steel is the leader in speculative interest. I suspect the existence of an unwieldy short interest in that stock. Everybody expects much lower prices for it, owing to the new tariff and the trust prosecution program. Even if everybody is right, this might lead temporarily to the creation of such a big short interest that the shorts would begin to bid prices up on one another, causing a considerable rally.

In fact, it seems to me that the active stocks are now oversold to a degree that hardly any one seems to realize and that shorts are likely to find themselves in an unpleasant position before long. Liquidation by genuine investors has not been heavy on the recent decline.



THE FORUM

Where Every One Has His Say

[We invite our readers to contribute to this department anything that may be of interest to other readers, or to ask any questions in regard to the science of investment, methods of operating, customs of the markets, general financial conditions, etc. If you disagree with us or with any contributors to this magazine, we will gladly print your criticisms (space permitting), and we welcome all suggestions. If you find anything in our pages that especially appeals to you, we shall be glad to know it, so as to get a line on what you want. Never mind the style of your comments—this isn't a literary contest—but please write on one side of paper only. If you desire a personal reply to questions, please enclose stamped and self-addressed envelope. Address, THE FORUM, care of Magazine of Wall Street.]

"Mechanical Methods"

Have They a Proper Use, and If So, What Is It?

EDITOR of THE MAGAZINE OF WALL STREET: I am much interested in your publication, and the attempts you are making to show that stock speculation is more of a science than a gamble. I have read nearly every copy of your magazine since it began its career, and I have gained respect for the opinions and the sincerity of its editors.

That is why I want *your* opinion, in plain terms, of the value of charts to the speculator. The question has been much discussed in your pages from both sides, but the conclusions seem to be of the kind in which nothing is concluded. All the "doctors" appear to be wobbly on this matter. They nearly all confess to the use of charts themselves, but they nearly all at times exhibit a fine scorn for the "mechanical speculator" and the "chart fiend."

As a matter of fact, the term "mechanical speculator" seems to be a remarkably good example of the old adage—"Give a dog a bad name and hang him." You are, yourself, an expert tape-reader. You publish a letter which you evidently believe of much value to speculators, the advice in which is, as I understand, based wholly on the indications shown on the tape from day to day, or hour to hour. Now isn't tape-reading only another form of chart-reading, wherein the facts involved are merely kept in one's head instead of being jotted down as a graphic?

Mr. Selden publishes monthly in the magazine a very interesting chart showing the conditions of credit in the New York clearing house banks. He lays great stress, and apparently with ample warrant in history, on the movement of the line representing the ratio of loans to deposits as an indicator of fundamental conditions which affect the values of stocks and bonds. But is there anything less "mechanical" in following the indications of these (or similar) lines, than in the more usual form of chart reading?

What is a stock-market chart but a line showing the fluctuations in the ratio of supply and demand for stocks, just as Mr. Selden's chart shows the ratio of the supply and demand for credit? I fail to see where the study of one is scientific and of the other mere foolishness of "cranks" and those of little wit.

All students of the market understand the paramount importance of the fundamental conditions of money, crops and business in forming the great upward and downward swings of the market. But what had money, crops or business to do with the April rise this year, or how could the date of the subsequent severe fall during the first ten days in June have been located by their means?

As for news, we all know the value of *that* element of speculation as an assistant in the transfer of cash from the pockets of the gullible to those more astute.

As for rumors, they are the chosen tools of manipulators and the advantages of "inside information" are for the chosen few, the chosen *very* few.

If then one seeks to buy or sell stocks at a profit oftener than once a year or so, may I inquire what other element in *your* opinion, Mr. Editor, is of more value in forming a reasonable opinion of the probable action of the market near at hand than a study of its own movements from day to day in the light of previous experience? And if that isn't "chart-reading," pray, tell me what you call it?—R. S. K.

My frank opinion is that charts or graphics are of great value to the speculator, provided they are rightly used. As we have often stated in the magazine, charts are the most convenient form in which stock market history can be recorded. In no other way can the eye and the mind be made to grasp a situation so clearly and accurately, as by their use.

So far as we can learn, charts were first used in connection with the stock market twenty-five or thirty years ago. The first attempts were very crude, of course. C. B. Greene, a stock broker of that day, was one of the first to put them to practical use. He issued a booklet containing specimens, and showing how they worked. One of his theories was that when a stock made a double top or bottom you should buy or sell it, as the case might be, and it often happened that the operator made money thereby.

Then there arose a school of chart fiends and mechanical players who were blind to all else but what their charts indicated, and who tried to formulate mechanical rules for trading. These were based mostly on double tops or bottoms, the angle of the movement, the breaking through a line, etc. We have spent much time and money investigating these schemes, and have found a number of them that worked—sometimes, but in the end their inventors struck "the kind of market where it wouldn't work." While alterations were under way, another "change in market conditions" occurred, then another and another, and so on, *ad nauseam*.

For myself, I have held charts in various stages of respect and disrespect, all the while striving to extract the greatest benefit and the least amount of harm from them. The insidious feature of the thing is, two men will often deduce exactly opposite conclusions from the same chart. Take the chart in the "Analysis of Market Conditions," printed in our October number, it can be read both ways, bullishly and bearishly, according to the kind of indications on which the trader lays most stress.

Our experience has led us to scorn the mechanical player or chart fiend, because he seldom mixes brains with his chart deductions. To show you to what extremes he will go, there was one who actually constructed a machine on which he recorded the transactions as they appeared, the machine indicating when it was time to buy or sell. Another kept a large ledger in which he entered a record of the sales in such a way that what he called the net balance of purchases or sales appeared daily, and his conclusions were largely based thereon. He was a mechanical player and he was always short of funds.

Another kind of chart player will do all his trading in one stock, and keep a chart of it which he will follow regardless of the rest of the list. His stock may be acting contrary to the whole list, but that doesn't bother him. Then there is a type of chart player who keeps so many different records that they contradict

each other. His days are spent in making marks and his nights in trying to reconcile them. Between these two extremes are chart fiends of varying horse power, whose chief failing is that they interpret their charts too literally.

Figures, lines and other pencil marks have no brains. The individual must supply them. Charts do not predict anything of themselves, but they are of value in forming one's judgment. The author of "Notes on Office Trading" hit the nail on the head when, after explaining the various charts, etc., which he used and found of value he said, "One fact seems to stand out as the result of my attempts —the supreme importance and necessity of *judgment* as the basis of trading decisions. There seems to be very little direct mechanical aid in judgment-forming possible."

In other words, charts can *help* you come to a decision, but they will not of themselves make the decisions for you. Your own judgment must be supreme and results depend, I might say, absolutely on how you cultivate and use it.

To attain success you must study the *action of the market*. This can be done from several points of vantage: (1) the floor; (2) the tape; (3) the quotation board; (4) the newspaper; (5) charts. Transactions occur and flow out to the public in the above successsion, and in the process of transmission and translation many of their most valuable indications are lost.

The floor trader, while he cannot see what is going on in all the crowds, can flit from one important post to another, note the character of the buying or selling, the nature of the bids and offers, the visible supply and demand, etc. These things are lost to the tape reader in an office; but he is compensated by his undisturbed view of all the transactions a minute or two after they have occurred, this bird's-eye view being the best anywhere obtainable, in my opinion.

Transfer these tape transactions to a board and you lose thirty or forty per cent. of them, as most boards contain room for only the most active stocks, and no place at all for the other highly numerous and important incidents which appear on the tape and *nowhere else*.

Your evening newspaper, if it is either the New York *Evening Sun* or the *Wall Street Journal,* will contain the detailed transactions in an entirely different form from the way they appear on the tape. From this and the table of transactions many deductions can be made. But remember that in this or any record of the transactions you lose very many of the essentials in judging the market.

Few people can arrange their affairs so as to devote five hours a day to the study of the tape; so the majority who study the market intelligently are forced to depend on their newspapers. But I will say here that it is risky to work on any other than New York newspapers, because numerous errors and omissions in telegraphic transmission make them unreliable and incomplete.

Anyone who thoroughly understands the stock market can take his pile of newspapers and gain a clear idea of what is going on, but it is almost impossible for him to charge his memory with the thousands of statistical items which make up the stock market's record. So the intelligent trader who is working away from the floor or the tape is practically compelled to keep some sort of memoranda.

Experience has proved that stock market history can be most clearly recorded in graphic form. It is the use and not the abuse of these graphics that distinguishes the intelligent operator from the mechanical player or "chart fiend."

I advocate the use of charts or graphics when they are used to record and illustrate past events in their relative importance. I believe that in this sense they are invaluable to both traders and investors.

In this magazine you will note that we are presenting three or more graphics to every one which appeared in former years. This is because we are convinced of their value in showing at a glance, in a very small space, many phases of our complicated financial problem, from the daily fluctuations to the big, broad developments covering years (see the Brookmire graphic). Or take the fluctuations in fifty active stocks for three years back; think what a mass of figures it would be necessary to compile and what a head-splitting job it would be to get the meat out of them. Yet we can

condense the whole into a half page and your eye instantly grasps the present position of the market, in relation to all the high and low prices during the period.

Now, as to your question: "Isn't tape reading only another form of chart reading?" You have the cart before the horse. Chart reading is an imperfect form of tape reading.

The tape is the original printed record of the market. Without it there could be few accurate newspaper or chart records. No chart can reproduce the tape and retain full value of the indications any more than a picture extracted here and there from a roll of film would give you the detail of the story. It is these details which make the true story. There is no accurate and complete substitute for the tape of the stock ticker.

A confirmed chart player once said to me: "I can't understand how you can see these changes of trend from three days to a week before they appear on my charts."

It is because the tape foreshadows, by indications which the charts do not and cannot record, changes in the technical position of the market. In due course they are visible to the chart reader.

As to the value of news and fundamentals, my address at the Finance Forum, in January, 1912, printed in this magazine about that time and since issued in pamphlet form, so completely covers my views on these points that there is nothing I can add.

Stocks went up in April because they were put up, and they went down in June because they were driven down.

In answer to the query in your last paragraph I should say that nothing is of more value than a study of the market's movements from day to day, but this is not necessarily chart reading. The market may be studied from the figures—high and low prices, volumes, breadth, etc., without any charts at all. But we advocate charts as the simplest, most valuable and suggestive aid.

And if anything here said makes inconsistent our past or future remarks on the same subject, please remember that the world moves and that we always have reserved and always will reserve the right to alter our views in the light of additional knowledge and experience.

RICHARD D. WYCKOFF.

I feel that there is a good deal of truth in R. S. K.'s remarks about the injustice of the odium that attaches to the use of charts and the drawing of "mechanical" indications from them. The man with a "system" has become such a joke among speculators that now one who keeps any sort of chart does it in a shamefaced manner, or very probably keeps it a secret altogether.

Even if he has drawn his conclusions from a study of charts and graphics he will, when asked for his opinion, begin to talk learnedly about crops, money rates, technical conditions, etc. Yet charts and graphics are really nothing but exact records of the facts about crops, money rates, or technical conditions. There is no longer any reason, whether or not there may have been in the past, for refusing to recognize the usefulness of graphic records, and charts of prices and volumes have their legitimate place among such records.

It seems to me that R. S. K. is in error, however, when he says: "What is a stock market chart but a line showing the fluctuations in the ratio of supply and demand for stocks, just as Mr. Selden's chart shows the ratio of the supply and demand for credit?" I have never seen a chart which shows the ratio of supply and demand for stocks, and do not believe that such a graphic can be constructed.

Nor would I be willing to claim that the graphic which appears every month in "The Market Outlook" department *shows* the ratio of supply and demand for credit. It is simply the *best index* to that ratio, as affecting the stock market, that I have been able to discover down to date. New conditions might injure the value of loans and deposits as an index, but for the last twenty years or so they have worked very well, and the use of them is founded on a common sense and logical basis. If new conditions arose, we would have to use our judgment as to whether the graphic was still of value or not.

And it is vastly more difficult to con-

struct any graphic which will give even an approximate index to the supply and demand for stocks than it is to make a graphic showing the main facts as to credit conditions or any of the other factors which I am now taking up in "The Art of Interpreting Financial Conditions."

Any graphic record of facts bearing on the stock market should be of some value; but as an aid to judgment, not as mechanical indicator. G. C. SELDEN.

N. Y. "Times" Averages.

We recently wrote the *Times* as follows in regard to the daily average of 50 stocks:

"We note from a letter received from you some time ago, that the average closing price is based on the last transaction of the day, and on days where there is no transaction in some stock contained in your list you use the last recorded price. This method of compiling the average closing price results in considerable inaccuracy, especially in dull markets. As you use fifty stocks it will frequently happen that several stocks are not quoted for perhaps two or three days in succession, during that time the market may have advanced or declined several points, while for these stocks you are still using prices which were made several days previous.

"The result is that your averages tend to hang back during periods of dullness and then to catch up with the market with a jerk when a day of active trading brings out quotations on all stocks.

"This seriously interferes with the value of the last column in your table of averages, which gives the gain or loss for the day. For example, if the market has advanced an average of one point for all the stocks quoted on some day, but five stocks were not quoted, owing to dullness, then your advance for the day is only nine-tenths of what it ought to be. If this happens for several days in succession your closing average might be nearly half a point away from the true figure. Then if on the following day an active advance occurred, so that all stocks were quoted, the gain for that day shown by your closing average, would be nearly half a point more than it should be.

"This difficulty can be obviated by using the mean between closing bid and asked prices for all stocks, whether quoted or not during the day. This price would also constitute the high and low of stocks in which no trade had occurred during that day."

To this the financial editor of the *Times* replied:

"I have considered what you said about the relative advantages of the two methods of computing the average closing price, but after some consideration of the matter I do not feel that we would gain very much by making a change. A resurvey of last week's averages indicates that in one relatively inactive stock, which I picked out for a test, the use of the mean of the bid and asked figures at the close of the day would have been less indicative of the real position of the market than was the last reported sale.

"If, as you assume, a number of stocks were not quoted on any given day and the same stocks remained unquoted for a series of days, the use of the last recorded price might throw the averages out considerably. This, howover, seldom if ever occurs. As a matter of fact we have from time to time, since we started these averages, made appropriate substitutions in the list so as to confine it so far as possible to stocks which are steadily traded in."

The fact remains, however, that this method of compiling the averages results in frequent slight variations from the real market. In considering weekly or monthly movements the difference is unimportant, but the daily changes in the closing averages are not to be relied upon as strictly accurate.

Loans and Deposits.

In looking over your magazine for October I find you show the percentage of loans to deposits for August, 1913, of all National banks as 107.2. Is this percentage not too high? The reason I mention this is for the good reason that I would like to have the correct figure.—J. F. M.

The figure of 107.2 for per cent. of loans to deposits, all National banks, August 9, is correct. However, please see the paragraph headed "Exchanges for Clearing-house" in "The Market Outlook" in the October number of THE MAGAZINE OF WALL STREET. The facts explained there have the effect of raising slightly the per cent. of loans to deposits, owing to the reduction of deposits below their natural level. The advance resulting from this cause is not important, however.

"Line of Growth" in National Bank Figures.

I notice that the per cent. of cash to deposits in last report on all National banks declined below the 1907 figure, and the per cent. of loans to aggregate resources advanced above 1907 figures. Should I make an allowance for this (as with the growth in loans and cash), or will these percentages adjust themselves when money conditions become easy again, and shall I keep on using the horizontal line?—C. J. J.

In regard to the National bank figures, there is no "line of growth" in the per cent. of cash to deposits or of loans to deposits. The *total* figures for all three items increase with the growth of the country, but the relations between these items are not affected by this growth. Changes in the percents are due to differing business conditions.

Yukon Gold.

In the September, 1913, issue of The Magazine of Wall Street, on page 387, it is stated that the gross production of "Yukon Gold" is better than 32 per cent. on outstanding capitalization. Surely this can't be correct in view of the present price of the stock, which is around 2¼ (par $5)?—L. N.

The statement in regard to Yukon Gold was taken from one of the mining journals and we see no reason to think that it is seriously in error. You will note that gross production is referred to, and the expenses of this company are quite heavy, as the greater part of the gold is obtained by the dredging process. Therefore 32 per cent. gross would mean a very much smaller per cent. of net. Upon referring to *Poor's Industrial Manual* we find that the per cent. of gross to capitalization in the year 1912 was about 20 per cent. According to current reports better results have been obtained this year.

"Notes on Office Trading."

It has been a long time since I have had the good fortune to find anything on the subject of trading so profoundly interesting and so thoroughly practical as the series of "Notes on Office Trading," recently completed.

Its viewpoint is fresh; the author touches upon matters that I have never known to be covered before; he writes lucidly of other topics that we have had before only in a hazy way—for instance the note on "The Unit of Trading."

There is so much of good in it that it is hard to pick the features that seem most worthy of commendation; perhaps what impressed me most is the fact that the author is "general" and at the same time "specific." He outlines principles and then with great patience and much skill proceeds to give examples showing just *how* those principles apply in practice. Take the note on "Movements of Individual Stocks"—I am not sure of the exact title. In cold type it would have been good for one reading; I mean ex-illustrations. One would have been obliged to pass much of it by from failure to grasp what the author meant. But there it all was in charts showing just what he was talking about—and I read it a half dozen times. So it was all the way through; clear as crystal.

It is a pleasure to tell you about it; I wish we might know the author; I am sure he would be an interesting fellow. And I can see why he would write under an initial. In any event, let us have more of his writing in the future.—C. K.

The Element of Time.

Henry P. Jones, of Buffalo, N. Y., submits forms for making vertical line charts with the days of the month, one to thirty-one, printed on each, claiming that this makes proper allowance for the element of time.

If we were to criticize the blank we would say that no allowance is made thereon for the month of February and other months of thirty days each. Perhaps the way to overcome this difficulty is to paste the sheets so that they lap.

Lost Stock Certificates.

If certificates of stock are lost or destroyed by fire or otherwise, is there any way by which the owner can obtain duplicate or new certificates, or does the owner have to stand the loss as so much property destroyed for him?—T. C. W.

The owner can always obtain a duplicate provided he complies with the requirements of the by-laws of the issuing corporation, which are usually to the effect that upon making a satisfactory proof of loss and filing an indemnity bond, a new certificate will be issued in place of the one lost or destroyed. The issuing of duplicate certificates of this kind has become so customary that the mode of procedure is made very simple.

Likes Scribner Browne's Articles

I desire to express my high appreciation of the articles by Scribner Browne. They show how the mind of an intelligent, experienced speculator works. Haven't read anything in a long while so interesting and educative. I certainly hope he will continue them and continue to illustrate them with charts. I am much interested in charts. As long as the *controlling* factors remain the same the record of what the market *has* done should give an indication of what it *will* do. The record is necessarily defective or partial, and the factors subject to constant change, so that there is a necessity for the speculative judgment to decide every move, but the chart, it seems to me, furnishes the basis. From this point of view you can see why I value so highly the articles by Scribner Browne. Reader.

Indorsing Bond Coupons.

Is it any use to indorse a bond coupon on back to make it safer in ordinary mail?—A. C.

It is not customary to indorse bond coupons which are transmitted through the mail for collection. The best way to do would be to deposit them in your bank and have them collect the amount in precisely the same way as an ordinary check would be collected.

Thanks! We Can't Deny It.

Here's a real bouquet: The October number of THE MAGAZINE OF WALL STREET is worth the price of a yearly subscription. *I mean it.*

BOOK REVIEWS.

AMERICAN RAILROAD ECONOMICS.

By A. M. Sakolski, Ph.D., Lecturer in N. Y. University School of Commerce; 295 pp., with index (Macmillan). For sale by Magazine of Wall St., price $1.35 postpaid.

The heavy depreciation in standard railroad securities, various government investigations, application for increased freight rates and the problems of physical valuation and operating efficiency combine to make this boook especially timely and interesting. Many of these topics are covered by the use of the latest data relating to railroads.

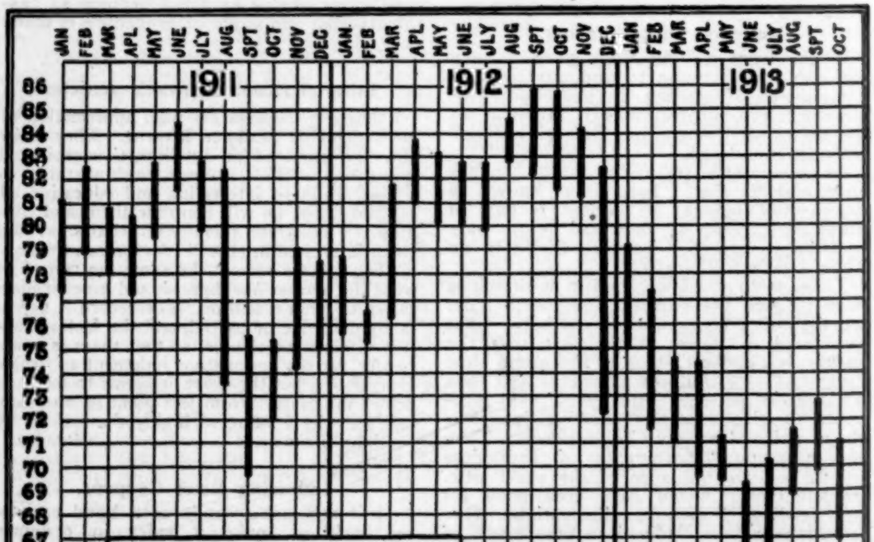
The primary purpose is to assist investors, bankers and financiers in interpreting railroad and operating results. The railroads are studied solely as business enterprises with reference to actual American conditions. No attempt is made to lay down rules and maxims. Facts and figures are stated in simple language.

Besides analysis of railroad reports, rates and rate regulation, railroad securities, railroad expansion and unification are discussed. A concise description of the leading American railroad systems is included.

Three chapters discuss physical features influencing economical operation and financial status. The principal laid down is that construction and operation should be done at lowest cost consistent with traffic. Anything else is wasteful.

Attention is called to the frequent fisuse of the common standard units such as the ton-mile and the train-mile.

The author gives practical illustrations of how proper statistical analysis of railroad operating efficiency might be made. Railroad financial data is given a broad discussion. The uniform accounting system enforced by the Interstate Commerce Commission is briefly described and all technical terms carefully defined. The nature of the important items in the Income Account, the Profit and Loss statement and the general balance sheet is explained. The meaning of railroad capitalization and railroad credit, and the proper interpretation of capitalization statistics concludes the book.



The Iron and Steel Situation

A STRANGE feature of the present financial situation is to see steel securities declining in a manner that would indicate the most wretched trade conditions now or in the immediate future, while there is not the slightest evidence of the development of alarming conditions in the trade.

As a matter of fact, the trade itself cannot understand the why and wherefore of the hubbub that steel securities are raising in the market place, while in the factory all is industry. Long range observers of the steel business cannot even reconcile the outlook with the theory that steel securities are discounting future conditions. If the stock market is discounting the future, it is looking so far ahead that the observers closest in touch with the trade must be near-sighted by comparison.

A few days ago the United States Steel Corporation came out with figures showing that the unfilled orders were much larger than expected. The decrease in the month of September was equal to a mere five days' output at full operation.

Of course the tariff must come in for the brunt of responsibility for pessimism. It is impossible that the larger public which owns steel securities can be accurately informed about conditions in the trade. They have jumped at the conclusion that because certain reductions in steel duties have come about, there must follow a mild cataclysm in the business.

Over against this uninformed view stand the opinions of some of the best steel men to the effect that the tariff will not do anything like the amount of damage to the trade in this country that impetuous people believe. An adjustment of domestic conditions will result, but even here the dislocation will be slight. There will be no sudden and violent changes due to the tariff. It will rather be a slow process of evolution that will come about.

Attempts to say that a certain and definite amount will come off steel products per ton are necessarily only approximations. The mills will wait until they come into actual collision with foreign prices and will then proceed to meet them. The question of the tariff and its effect on the iron and steel business is so broad and so complicated that we cannot say offhand that trouble is in sight.

Some years ago when tariff changes were made, European manufacturers prepared to invade this market. But the steel business the world over took a slump, and there was a lot of idle manufacturing capacity in Europe and idle invested capital.

The steel makers abroad will go very cautiously this time. The European demand is practically great enough constantly to absorb the production. They will have to know pretty well where the business is coming from and, what is more, whether it will continue to come, before they will count on the American market. The likelihood is that they will endeavor to market here only what they cannot sell abroad, without increasing their manufacturing capacity.

Assuming that they did attempt to get a substantial foothold in this market, it would have to be done at a very narrow margin of profit. The American manufacturers would promptly destroy this margin by price reductions, making it poor business for the foreign manufacturer. The home manufacturers can do this and still make money.

Fighting the home manufacturers will prove thin business for the foreign manufacturer, and he knows it. The Americans are too strong now. If this tariff had happened twenty years ago, the outlook would have been very different. But now the United States makes more than half of the steel of the world.

The tariff has so far made no difference with the trade except in this respect—that it has held out hopes which have restrained buying. There has been some hesitancy in buying since we last wrote, but nothing like a slump in the steel business. The steel business is under a good momentum and it will take extraordinary conditions to get it down to a poverty basis.

All the while this tariff talk has been going on, the steel companies have been running from 80 to 90 per cent. of capacity with orders on the books to keep them busy for about five months ahead at this same rate of production. As shown by the United States Steel Corporation figures, September was a good month. October is moving along in the same fashion. It does not require a boom to keep the mills of this country busy.

Fundamentally the situation is sound. There is going to be a good business in steel for railroad equipment. Some prices will doubtless be further adjusted, but not a great deal below prevailing levels. With one notable exception, prominent people in the industry are not pessimistic. The best opinion is to the effect that until factories begin to suffer from lack of orders or through inability to compete with foreign made goods, we may as well postpone our fears as to the results of the new tariff.

The Situation Summarized

[While an attempt is here made to divide the important factors into favorable and unfavorable, this classification is for convenience only. It should be fully recognized that the same factor may have a bullish effect in one direction and bearish in another, or may be bullish in its immediate influence, but containing dangerous possibilities for the future. Also, it would be impossible to strike a balance in this way, as one bullish factor might be so important as to outweigh all bearish considerations, or vice versa.]

Favorable

PERHAPS the most important of the bullish features this month is the fact that lessened demands for money and Government deposits placed in the South and West have enabled the banks to strengthen their position somewhat.

Commercial paper rates are easier, just at the time of year when they would naturally be firmer. This plainly shows the better tone of the money situation.

Currency Bill prospects are more encouraging. The emphatic protests of the country bankers, as recently expressed at Boston, have apparently impressed the political leaders at Washington. If the faults of the bill are remedied and the co-operation of bankers assured, passage of the bill will, in our opinion, be a bull argument.

Passage of the Tariff Law ends the uncertainty, and in that way its immediate effects ought to be helpful. The question of the final results of the low-tariff policy is too complicated to be settled off-hand.

Comparative ease of call money at New York is, of course, a good feature of the situation. That factor alone will not always justify rising prices, but it is an important element on the constructive side.

Approval of New Haven bond issue by Massachusetts Public Service Commission will enable that road to make a start on the way to better things. It is also a help to sentiment, as the New Haven's troubles have attracted wide attention.

Railroad operations for year ended June, 1913, showed a decrease in ratio of transportation expenses to gross earnings from 36.8 per cent. to 35.2 per cent. Evidently the roads are still able to run, in spite of increase in wages and other costs.

Copper situation continues strong, with price of the metal firm and stocks unprecedentedly low. Strikes are interfering with production and consumptive demands are fully up to normal. The situation certainly contains the possibilities of still higher metal prices.

Sale of Interborough Rapid Transit bonds shows a somewhat better supply of capital for investment. Only a small part of the issue was left for the underwriters to take. Even a small improvement in this respect is welcome.

Unfavorable

ADVANCE in Bank of England rate from 4½ per cent.. to 5 per cent. was due in part to seasonal conditions, as the rate is usually higher in the fall than in the summer, but it had been hoped that any advance this year might be avoided.

The Balkan pot is still hissing and bubbling, and the powers are having trouble in keeping the cover on it. This may have influenced the rise in the bank rate. However, the Balkan nations are now so exhausted that further war-like efforts must be feeble.

Railroad earnings are making a rather poor showing, in both gross and net, especially the latter. The idle car surplus also indicates only a moderate movement of traffic.

Trust prosecutions are to be pushed more vigorously by Attorney-General McReynolds. Southern Pacific is marked for an early victim.

Conditions in the steel trade cannot be considered bullish, although a fair volume of business continues to be done. Unfilled orders are still falling off, though slowly.

The Mexican mix-up is bad for all companies doing business in that country, and has an unfavorable effect on sentiment. But doubtless President Wilson may be trusted to prevent this country from becoming actively embroiled in the various Mexican disputes.

Building operations throughout the country are running about 25 per cent. under last year, and real estate is dull everywhere. Immediate prospects in this line appear unsatisfactory.

Commercial failures are running large. For first nine months of 1913 liabilities were largest for thirty years, with exceptions of 1908, 1896 and 1893.

The crop conditions for the year form an underlying element which constantly works against improvement. Crops as a whole were nearly 10 per cent. below normal. Higher prices may make up the loss to the farmers, but if so they increase costs to consumers.

Railroad rate reductions by the States, since the Minnesota Rate Decision was handed down, have been more numerous than is generally appreciated. Note comments by Receiver Delano of the Wabash, in the "Investment Digest" in this issue.

Essential Statistics Boiled Down

THE figures below give a complete view of the financial and industrial situation, with the best available comparisons for the corresponding month (or nearest month obtainable) in each of the four preceding years.

	Average Money Rate Prime Commercial Paper New York.	Average Money Rate European Banks	Per Cent. Cash to Deposits, New York Clearing-house Banks.	Per Cent. Loans to Deposits, New York Clearing-house Banks.	Per Cent. Cash to Deposits, All National Banks.	Per Cent. Loans to Deposits, All National Banks.	Money in Circulation Per Capita First of Month.
October, 1913..........	5⅞	5	25.6	101.1	.....	.....	$34.80
September, 1913........	6	4⅞	25.6	100.8	.....	.....	34.48
August, 1913...........	6	4⅞	26.7	99.3	15.6	107.4	34.44
October, 1912...........	6	4¼	25.4	100.3	15.2*	102.9*	34.42
" 1911...........	4½	4⅛	25.9	98.5	16.3*	103.6*	34.35
" 1910...........	5¼	4⅛	25.7	102.1	16.5*	106.8*	34.88
" 1909...........	5⅜	4	25.9	99.9	17.0*	103.0*	34.96

*August.

	New Securities Listed N. Y. Stock Exchange (000 omitted)	Bank Clearings of U. S. (000 omitted)	Bank Clearings of U. S. Excluding N. Y. City. (000 omitted)	Balance of Gold Movements—Imports or Exports. (000 omitted)	Balance of Trade Imps. or Exports (000 omitted)
September, 1913....	....	$13,423,032	$5,967,114	....	....
August, 1913.......	$38,085	12,374,139	5,611,944	Im. $4,609	Ex. 50,221
September, 1912....	47,735	13,076,665	5,643,819	Im. 3,632	Ex. 54,858
" 1911....	36,583	12,606,056	5,421,077	Im. 2,351	Ex. 70,627
" 1910....	71,824	11,395,370	5,164,355	Im. 1,369	Ex. 51,609
" 1909....	119,931	13,542,069	5,063,692	Ex. 5,195	Ex. 32,948

	Bradst's Index of Commodity Pcs.	English Index of Commodity Pcs.	Wholesale Price of Pig Iron.	Produc'n of Iron (Tons.) (000 o'td.)	Price of Electro. Copper (Cents.)	U. S. Production of Copper (Lbs.) (000 o'td.)	U. S. St'l Co. Unfill. Tonnage (000o'td.)†
October, 1913.........	9.15	2,714	$14.25	.....	16.1	....	.....
September, 1913......	9.10	2,693	14.25	2,505	16.3	131,000	5,003
August, 1913..........	9.01	2,689	14.06	2,545	15.4	131,000	5,223
October, 1912.........	9.45	2,740	16.80	2,463*	17.3	140,000*	6,551*
" 1911.........	8.80	2,593	13.25	1,977*	12.1	115,000*	3,611*
" 1910.........	8.92	2,418	14.25	2,056*	12.5	119,000*	3,158*
" 1909.........	8.74	2,258	17.88	2,385*	12.7	118,000*	4,796*

*September. †Figures are for last day of mo.

	Net Surplus of Idle Cars.	Building Operations, Twenty Cities.	Business Failures Total Liabilities.	Crop Conditions. Spring Wheat.	Crop Conditions. Corn.	Crop Conditions. Cotton.	Babson's Average 10 Leading R. R. Bonds.
October, 1913......	10,374	....	....	....	65.3	....	91.8
September, 1913...	58,306	$40,856,549	$19,229,279	75.3	65.1	64.1	92.6
August, 1913......	58,455	39,259,602	21,935,467	74.1	75.8	68.2	92.0
October, 1912......	31,579*	36,827,818†	19,464,440†	90.8†	82.2	69.6†	96.2
" 1911......	35,897	46,562,982†	14,412,902†	56.7†	70.4	71.1†	97.6
" 1910......	13,316	41,415,868†	15,039,712†	63.1†	80.3	65.9†	98.8
" 1909......	12,546	48,726,000†	9,670,329†	88.6†	73.8	58.5†	100.3

*Shortage. †September.

The Market Outlook

Some of the Factors Beneath the Surface of Current Events

By G. C. SELDEN

SINCE last month's review was written, the stock market has suffered an almost uninterrupted decline, bringing the general level of railroad stocks back nearly to the low point of last June. The industrials have been relatively stronger, due in part to the firmness of copper metal, which has operated to cause quick recoveries in the copper stocks when dragged down by the weakness of the general market.

* * *

FOREIGN conditions may as well come in for first consideration, as Europe has for a year past been the real storm center of financial trouble.

Reports of acutely strained relations between Greece and Turkey, possibilities of a union of Turkey and Bulgaria against Greece, and guerrilla warfare between the Albanians and the Greeks and Servians have served to keep alive the uneasiness of European investors and to retard the return of hoarded money to the normal channels of trade.

Also most of the permanent financing of the Balkan War still remains to be done. Paris has assumed the burden of these loans, but capital for the purpose must be drawn from all available sources, London as well as the Continent.

Depression of trade is beginning to make itself felt pretty generally among European nations, the natural reaction from the activity that has prevailed there for several years. That activity was undoubtedly prolonged by the big expenditures of borrowed money in preparation for the Balkan War and in general increases in armament by all the great powers.

* * *

THE increase in the Bank of England rate from 4½ per cent. to 5 per cent. was the direct means by which the European situation exerted the most effective influence on the American markets. In our department "Current Financial Opinion" this month will be found an interesting explanation of the reasons why bankers and the whole financial world pay so much attention to the Bank of England rate as an index of the world's market for capital. A 5 per cent. rate is usually regarded as a warning signal all over the world.

A fact not generally understood is that this advance of ½ per cent. in the rate is less than the usual advance at this season of the year. The world's crop moving requirements nearly always bring about an advance in the rate in the Fall months. The rate of 5 per cent. now is not *relatively* as high as the rate of 4½ per cent. was last summer, for the normal seasonal advance would have been more than ½ per cent.

If we take a non-seasonal average of the three principal bank rates—London, Paris and Berlin—we find a decline in that average of a little over ½ per cent. since July, the effect of the seasonal correction being more than sufficient to counterbalance the increase in the Bank of England rate.

It cannot be said, therefore, that the rise to a 5 per cent. rate has any important bearish significance, but if a further advance to 6 per cent. should occur, as some are predicting, it would have to be accepted as a genuine danger signal.

* * *

THE Bank of England's financial position does not warrant any higher rate than now exists. If the rate is raised further, it will be the result of political conditions, not strictly financial.

It is true that the bank's gold holdings are the lowest for this season of the year since 1907. But on the other hand, so great has been the contraction of loans abroad that the ratio of reserve to liabilities—which is the real test of strength—is the highest for the season that has been seen for many years, with the exceptions of 1904, 1894 and 1895.

Berlin also has achieved important retrenchments and has increased its stock of gold. Paris is in a weaker position; but Europe as a whole is not now overextended financially. It is, however, suffering from a lack of capital for new investment, which is the unavoidable result of the enormous

waste of war and armaments, and the accumulation of new capital must necessarily be a slow process.

* * *

CONDITIONS in America are much better than in Europe so far as strictly financial considerations are concerned, but important political changes in tariff and currency and the Government's attitude of opposition toward the big business combinations all tend to create a feeling of uncertainty in the minds of business men.

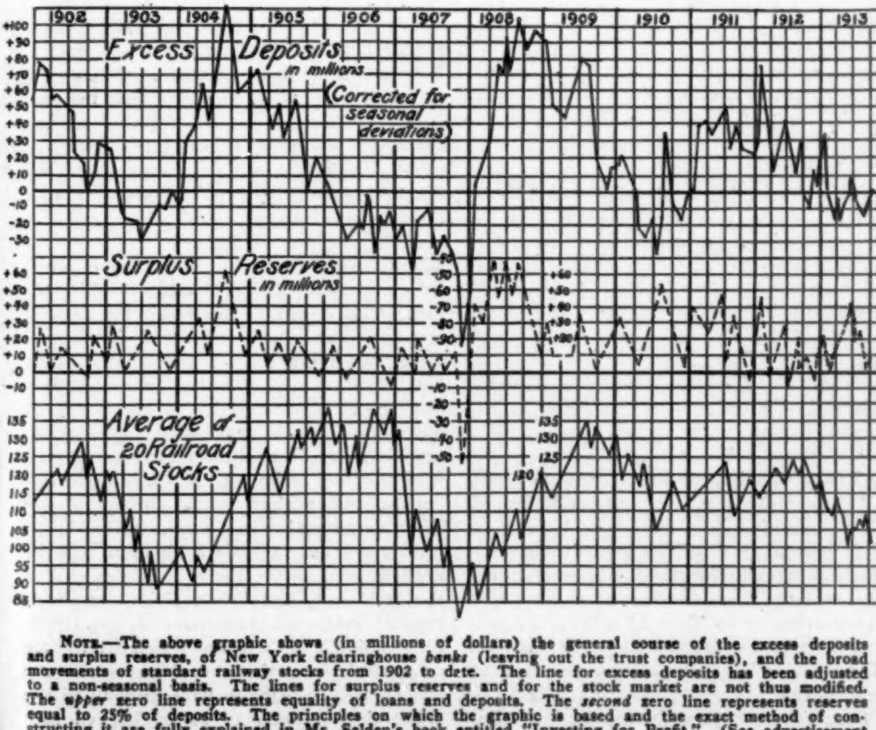
A number of cheering indications are visible in those conditions which directly affect the security markets. The comparative success of the offering of Interboro Rapid Transit bonds, for example, shows that our supplies of capital are a little better than they were a few months ago. Nearly all of the bonds were successfully placed with investors in a few days. Of course in a time of real abundance of capital the issue would have been over-subscribed. Nevertheless, some improvement is shown.

THE rate for commercial paper has eased off fully ½ per cent. in the leading financial centers. This amount of decline is not important in itself, but assumes importance because it comes just at the season when an advance of about 1 per cent. would be the natural and customary thing to expect. For this reason the decline of ½ per cent. is actually equivalent to about 1½ per cent. when seasonal deviations are allowed for.

This, again, is cheering not because of the absolute rate, which is still rather high, but because the tendency appears to be in the right direction. Our commercial paper rate is the nearest approach we have to the official discount rates of the big foreign banks, hence it is worthy of careful attention.

* * *

A SLIGHT upward tendency in commodity prices is noticeable, the recovery having amounted to about one-third of the decline which set in with January of



NOTE.—The above graphic shows (in millions of dollars) the general course of the excess deposits and surplus reserves, of New York clearinghouse *banks* (leaving out the trust companies), and the broad movements of standard railway stocks from 1902 to date. The line for excess deposits has been adjusted to a non-seasonal basis. The lines for surplus reserves and for the stock market are not thus modified. The *upper* zero line represents equality of loans and deposits. The *second* zero line represents reserves equal to 25% of deposits. The principles on which the graphic is based and the exact method of constructing it are fully explained in Mr. Selden's book entitled "Investing for Profit." (See advertisement elsewhere.)

this year. If this upward movement could be counted on to continue it would be very helpful to general business conditions; but unfortunately it is in part due to the small crops for the year, which are in themselves an unfavorable feature.

My own feeling is that the rally in commodity prices will prove to be temporary, though I don't look for any extreme decline. As for commercial paper, it generally gets down to a 4 per cent. basis before we are ready for any real business expansion. Even that rate does not, of course, assure immediate prosperity; but it does remove one very important difficulty by enabling business men to borrow money at a low rate. This gives other favorable factors a chance to have some effect, and the eventual result is better business conditions.

* * *

THE graphic of New York bank conditions included in this department shows a material improvement over last month. A slight excess of deposits over loans (on a non-seasonal basis, not including trust companies) is now shown. The gain is not yet sufficient to indicate any very large accumulation of capital for investment, but as with commercial paper the tendency is in the right direction. The rise in reserves is less important, but is satisfactory so far as its influence goes.

Such accumulation of capital as has taken place is chiefly due to the downward trend in business activity, which is slowly releasing capital from general business uses, and to our relatively small crops, which require less money to move than would a yield of normal size. The funds placed in the South and West by the Treasury Department have also had some effect in lessening the demands on New York for crop-moving money, just how much it is difficult to estimate.

* * *

WILL this improvement continue? As is well known, an accumulation of idle money after January 1 is to be expected in normal times. The present time has some abnormal features. For one thing, the Treasury money deposited to assist crop-moving is to be gradually withdrawn after its purpose is served. This will tend to decrease the accumulation of cash at New York.

Then we are more dependent on European conditions than usual. Big demands for capital there may result in retarding the flow of gold to this country which our strong foreign trade position would usually bring.

In spite of these drawbacks, however, it seems to me that we may reasonably look for further improvement in the supply of capital available for the use of investment markets.

* * *

WE are turning the corner, slowly but, I believe, surely. Good bonds, after having rallied about two points from the bottom, have now lost half of that advance. It seems to me to be time to buy them. They have probably seen practically their low point, and the general tendency of bond prices should be upward for some time.

It is to be borne in mind that bonds are at the bottom when financial conditions look the darkest, so the investor must have the courage to buy them without waiting for the situation to show marked and general improvement. When that time comes, bonds will already be too high to afford genuine bargains.

* * *

GENERAL BUSINESS will doubtless be somewhat depressed during the first half of 1914, at any rate, and perhaps longer. The extent and duration of the depression will depend on future conditions, many of which no one can foresee. But we can at least say with some assurance that the present tendency is downward.

* * *

STOCKS occupy an intermediate position between bonds and general business. They will be benefited by any increase in the supply of capital for investment, but injured by business depression. I think, however, that the investor should now stand ready to pick up some of the best issues, on which earnings show a liberal excess over dividend requirements, with the idea of laying them away and forgetting about them until conditions are much better and prices considerably higher.

A good deal of discrimination will be needed, in view of the possible effects of the tariff, rate regulation and Government prosecutions, on numerous corporations. Stocks should be selected which are as free as possible from these troubles, or else are low enough in price to have discounted the worst that is likely to happen. Even such stocks should be bought only on declines.